

**THE PUBLIC BUILDING AUTHORITY
OF THE COUNTY OF KNOX AND
THE CITY OF KNOXVILLE, TENNESSEE
Knoxville, Tennessee**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED
June 30, 2014 and 2013**

**PREPARED BY:
FINANCE DEPARTMENT**

**ROBYN SMITH, CPA
DIRECTOR OF FINANCE**

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY OF KNOX AND
THE CITY OF KNOXVILLE, TENNESSEE**

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INTRODUCTORY SECTION



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Dale Smith, Administrator/CEO

Board of Directors

Winston Frazier, Chair
George Prosser, Vice Chair
Scott Davis, Secretary
Keena Strickland, Treasurer

October 28, 2014

Board of Directors of
The Public Building Authority of the County
of Knox and City of Knoxville, Tennessee
Knoxville, Tennessee

Lewis Cosby
Jennifer Holder
Dr. Rocio Huet
Chuck Severance
Billy J. Stokes
John Sibley
Hubert Smith

State law and the Comptroller of the Treasury, State of Tennessee, requires that every political subdivision of municipal corporation publish within six months of the close of each fiscal year-end, a complete set of audited financial statements. This Comprehensive Annual Financial Report (CAFR) is published to fulfill these requirements for the fiscal years ended June 30, 2014 and 2013.

Internal Controls

Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatement.

The Comprehensive Annual Financial Report

The CAFR is presented in four sections: Introductory, Financial, Statistical and Internal Control and Compliance. The Introductory Section includes this Letter of Transmittal, a Roster of Officials and Others, and our Organizational Chart. The Financial Section includes the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), Basic Financial Statements, Notes to Financial Statements, and Supplementary Information. The Statistical Section provides selected unaudited financial information.

Independent Audit

Mauldin & Jenkins, LLC has issued an unmodified ("clean") opinion on the Public Building Authority of the County of Knox and City of Knoxville, Tennessee (PBA)'s financial statements for the year ended June 30, 2014. As stated in the independent auditor's report, the audit was conducted in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A)

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of MD&A. The Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. PBA's MD&A can be found immediately following the Independent Auditor's Report.

Profile of The PBA

The PBA is a joint venture between the County of Knox (The County) and the City of Knoxville (The City) and was created under the authority of the State of Tennessee, Tennessee Code Annotated (TCA), Sections 12-10-101 to 12-10-124. The PBA was incorporated on August 6, 1971. Under various agreements, the PBA manages and operates certain public buildings that house the governments of the City, the County, and certain other related governmental organizations. Public parking facilities are also included under this PBA umbrella of management. These activities include security, custodial, maintenance, and grounds services and are coordinated within the Property Management Department.

The PBA develops public properties for the City and the County at their direction. These activities include construction management as the owner's representative and are coordinated within the Property Development Department.

Additionally, the PBA provides management and maintenance for telecommunications systems and services of the City, County, and Board of Education.

The PBA is considered a political subdivision or municipal corporation of the State of Tennessee. The PBA is a special purpose financial reporting entity and has no component units. It is governed by an eleven member Board of Directors (the Board), of which six are appointed by the County and five by the City, for six-year terms. The Board hires an Administrator/CEO who is responsible for the management of the PBA.

Budgeting

Following review by the Board, budgets are submitted annually to the City and County and other related governmental clients for approval. Budgets are separated between the operating activities of Property Management, Property Development, and Telecommunication Services mirroring the delineation in operating agreements with the City and the County. Further, within Property Management, budgets are prepared on a property-by-property basis in compliance with the associated operating agreements.

Each budget is fully costed, containing both the direct and indirect costs of providing services. An operating reserve has been funded, at an amount agreed upon with each client as appropriate, within each budget through the end of fiscal year 2014.

Local Economy

Knox County is the third most populated county in the State of Tennessee. The City of Knoxville is the County seat. Knoxville is located on the Tennessee River near the geographic center of East Tennessee. Because of its central location in the eastern United States, the Knoxville area serves thousands of industrial and commercial customers in a concentrated eight-state area. It is within 500 miles of approximately one-half of the population of the United States. The County for many years has been known as one of the South's leading wholesale markets. Located within the County are 916 wholesale establishments, 1,622 retail establishments, and 5,597 service establishments.

Tourism also plays a vital role in the economic development of the area. Knox County is the principal Gateway to the Great Smoky Mountains National Park, located 40 miles to the southeast. There are over 500,000 acres that make up the nation's most visited National Park, extending over the States of Tennessee and North Carolina. Around 9.69 million people visited the National Park in 2013.

The presence of the University of Tennessee and the Tennessee Valley Authority in Knoxville lends stability to the area, making the local economy less cyclical than either the national or state economy. This contributes to a low unemployment rate, which was 6.6 % in Knox County at July 31, 2014. This compares favorably to the national unemployment rate of 6.2% and the state rate of 7.8%.

The overall economic health of the Knoxville/Knox County area continues to improve. The City of Knoxville serves as the economic hub of the entire upper East Tennessee area, and its trade sector is one of the strongest in the state. Knox County has the fifth highest per capita sales tax rate in the state, at roughly 112.58% of the state average. In fiscal years 2014 and 2013, respectively, sales tax collections on a countywide basis were \$720,725,107 and \$715,034,132. This represents an increase of 0.08%.

Long-Term Financial Planning

The PBA's costs are covered by fees charged to the City and County and certain other rated governmental organizations for management and development of public properties. Both the City and the County have long-term capital plans allocating significant resources totaling \$32,082,428 and \$1,683,779 respectively in which PBA is involved.

Projects	Total Budget	FY 2015 *	FY 2016 to FY 2019
<u>City Projects:</u>			
Beardsley Farm Building	\$ 150,000	\$ 150,000	\$ 0
Convention Center Pedestrian Enhancements	2,870,000	2,870,000	0
Fire Station #7 Interior Renovation and Concrete Bay Room Replacement	259,000	259,000	0
Fire Station #12 Interior Renovation and Roof Repairs	335,000	335,000	0
Fire Station #15 Concrete Bay Room Replacement	85,000	85,000	0
Fire Station #16 Concrete Apron Work	35,000	35,000	0
Fire Station #10 Soffit, Fascia, Concrete and Roof Repairs	125,680	125,680	0
Fleet Tire Storage	19,900	19,900	0
Impound Building and Emergency Generator	175,000	175,000	0
Lakeshore Administration Building	1,200,000	1,200,000	0
Lakeshore Chapel Reroof	32,000	32,000	0
Lakeshore Maintenance Building Reroof	842,700	842,700	0
LT Ross – Exterior Improvements	350,000	350,000	0
Promenade Roof Removal and Walking Deck Improvements	700,000	700,000	0
Public Works Center	17,860,000	5,000,000	12,860,000
Solid Waste Management Storm Water and Roof Additions	300,000	300,000	0
State Street Garage Lower Levels Renovation	500,000	500,000	0
Storm Damage Repairs	6,378,952	6,378,952	0
Volunteer Landing Stair Repairs	35,000	35,000	0
Whittle Springs Golf Shed	25,000	25,000	0
Total City Projects	<u>32,082,428</u>	<u>19,222,428</u>	<u>12,860,000</u>
<u>County Projects:</u>			
Andrew Johnson Building Roof Replacement – Phase II	285,000	285,000	0
Andrew Johnson Building Exterior	175,000	175,000	0
Old Courthouse Brick and Roof Repairs	125,000	125,000	0
<i>Parks:</i>			0
Concord Park Sidewalk Repairs	35,000	35,000	0
Forks of the River Park Restrooms/Concession Upgrades	25,000	25,000	0
Schumpert Park Disc Golf Upgrades	15,000	15,000	0
Tarleton Park Restroom Upgrades	15,000	15,000	0
ADA Remediation – Bearden Elementary	400,000	400,000	0
ADA Remediation – Maynard Elementary	450,000	450,000	0
Total County Projects	<u>1,683,779</u>	<u>1,683,779</u>	<u>0</u>
Total All Projects	<u>\$ 33,766,207</u>	<u>\$ 20,906,207</u>	<u>\$ 12,860,000</u>

*FY 2015 allocations may include amounts from prior years.

As projects are completed and opened for public use, the PBA often assumes the role of property manager. Senior centers are good examples where PBA transitions from development manager to property manager as the capital projects are completed and put in service.

Major Initiatives

Property Management

PBA's Property Management team has had a very positive, productive year. We have completed 92 projects in our capital requested funding and tenant reimbursable projects, with a total value of \$1,641,841. We continue to grow our portfolio of buildings managed and believe we are doing so because we are striving to concentrate on preventative maintenance and not just "putting out fires."

By creating a new zone for an in-house painting team we have successfully completed 59 painting projects within a five-month timeframe. In addition to these they completed striping in 5 garages and various parking lot locations. They are assisting in repainting lobby, elevator and landing areas for a fresh appearance in the locations we manage. We have saved our clients well over \$50,000 in this short period of time by using staff painters rather than contracted painters. Due to these efforts, we also were able to eliminate our compliance issues because of the service provided to paint fire lanes and other designated areas.

We organized and implemented the "Gay Street Parking Enforcement Officers" in an effort to assist the City of Knoxville and Knoxville Police Department with two goals:

- 1) Make short-term, transient parking available on Gay Street
- 2) Assist with ticketing in this area in order to allow KPD to focus on crimes and other areas where they were needed.

Because parking enforcement had never been done in this area before, we received some expected complaints about tickets, but overall the project has been a success. We received letters and compliments from out-of-town visitors on the assistance our officer's provided. People have noted the officer's provide a feeling of security as they patrol the street and provide assistance when needed.

We have added three new COMM Center security monitors to allow for better visual oversight of approximately 350 cameras in the areas we manage. Building security scanners have been updated with better technology.

Our team partnered with Visit Knoxville and the City of Knoxville with upgrades to the Sunsphere Observation Deck. This provided a better destination for visitors to this area. We also made upgrades to the Amphitheater internal space and have conditioned and refurbished this space to provide a location to house our maintenance and event offices.

We have replaced our previous CMMS work order system with a new Facility Dude system. By replacing our old system, we are saving \$20,000 each year in updates and servicing charges. We successfully completed 4,700 work orders in the past fiscal year.

We released an RFP for the parking facilities we manage and redefined the scope of outsourced services. Beginning July 1, 2014, PBA is now responsible for the custodial, life safety, security, cameras and maintenance in all our garage locations, which was outsourced in the past. Our newly selected parking vendor, LAZ Parking, is managing the monthly contracts, invoicing and collection of payments at the garage exits. We feel these changes will not only result in better management of these locations, but improve the

Property Management (continued)

experience for parkers due to the enhancements we are making in all locations. In the past, a vendor typically had one person handling the custodial and maintenance, which resulted in less than favorable environments for these facilities and, therefore, we have hired a technician to oversee the maintenance in all of our garage/parking lot locations to enhance safety and reduce technical challenges with equipment.

We replaced all of the customer parking cards for better tracking and up to date information. We also upgraded the garage software so we can see “real time” information about how many parkers are at various locations, and parking availability in these garages. We have purchased a new validation machine that will enable us to pre-sell tickets to those companies that want to provide this service to their customers. This new system enables us to account for client specific “free parking” so that we have better records of revenue losses.

Some of the major projects we have completed this past year are as follows:

- At World’s Fair Park we upgraded the existing splash pad fountain area to work from a computer program for better management. We are working to add a feature that would allow music to accompany the fountain sequence. (\$35,000)
- When a winter freeze caused the exterior water line to freeze and break in 12 locations on the Sunsphere’s exterior surface area, we worked quickly (day and night) to replace the entire 276 feet of water line. This project required special staging and extensive hours, but in replacing the line, we also insulated this system to prevent further issues in years to come. (\$51,500)
- In the City County Building Jail, we have replaced all the original cast iron sewer pipes within the jail area. We replaced all the mixing valves in the jail and upgraded their kitchen equipment. We replaced all the lighting in the catwalk area of the jail to enhance security when the guards patrol these cells. We replaced all the plexiglass in the attorney/client areas. All the old valves in the commodes have now been replaced and we have refurbished the majority of wiring on the jail door security system. (\$293,000)
- When we started to refill the lake at World’s Fair Park this year, we encountered a leak in the liner and had to work quickly to drain the water and make extensive repairs to this liner that holds over a million gallons of water for this area. (\$20,000)
- At the Clerk’s offices, we assisted with several major projects. At their West location, we worked with them to provide a more “customer friendly experience.” This project consisted of wall conversions, ductwork modifications and new carpet, paint and lighting. At the East Clerk’s new location, they moved into a former Jewelry retail center, where the lighting was not conducive to their needs. We worked with them to replace the lighting in this facility and make the necessary modifications to orchestrate their business plan. (\$75,000)
- At the KAT Magnolia facility, we installed a Fall Arrest System for the safety of their bus maintenance workers. A replacement of their complex veedor-root system (the system that monitors their gas, fuel and anti-freeze) was replaced. (\$45,000)
- We modified the KAT Transit Café area when the vendor decided to close the business and KAT wanted to modify the space into a vending area. We modified the space to create storage, add seating, counter space and microwaves for the new vending area. (\$18,000)

Property Management (continued)

- We have handled many carpet replacements along with painting and aesthetic upgrades at all the facilities we manage. At the Knox County Health Department, the entire first floor corridors were refurbished by removing the old wallpaper and replacing the flooring, repainting and adding wall protection to areas as needed. Our carpet projects alone were \$225,000 this past year.
- We remodeled several levels of bathrooms at the City County Building. (\$55,000)

Other CCB Completed projects for 2013 were:

- Criminal Court Division 3 Wainscoting (\$6,247)
- Hill Avenue ramp repair (\$14,499)
- Refrigerant leak repair on number 2 chiller (\$4,147)
- New motor hoist for cooling tower (\$8,985)
- Converted chiller 2 from Y-delta start to soft start (\$14,679)
- L2 remodel rooms 222-228 Civil Service (\$24,548)

Property Development

PBA's Property Development Department added one project manager and one project administrator this year in order to better handle the large number of small projects that the City and County asked us to manage on their behalf. The key projects managed this fiscal year include:

- Completed the State Street Garage parking deck addition and new crossover bridge to Gay Street for the City
- Completed installation of Old Courthouse windows and began structural repairs to the exterior of the building and roof replacement
- Started design on the City-owned LT Ross building
- Completed design and began construction on renovation of Lakeshore Park Administration Building
- Started work on Phase II Electrical Renovations at Knox Central
- Started design on Promenade Garage Roof Replacement for KUB
- Completed Harrell Park tree planting program for the County
- Started design on Maynard Elementary ADA Upgrades
- Started design on Bearden Elementary ADA Upgrades
- Started design on the new Impound Building and Generator for the City
- Started design on the Solid Waste Transfer Station Stormwater Improvements for the City
- Started design on City Traffic Court Improvements in the Safety Building
- Completed repairs and additions to the exterior water feature at the Knoxville Convention Center
- Started design and construction of pedestrian enhancements at the Knoxville Convention Center
- Started repairs and renovations to the Young-Williams Animal Center, including HVAC overhaul
- Working for the City with Travelers Insurance on storm damage projects resolution
- Completed the elevator upgrades at the Andrew Johnson Building
- Completed the upper roof area on the Andrew Johnson Building

Property Development (continued)

- Completed the replacement of the City County Building roofs, including adding sections of “green roof” to the terrace and first floor walkover areas
- Started work on the City’s Beardsley Farm
- Completed Phase II of the Juvenile Justice Renovation
- Completed Transit Center improvements for landscaping, fencing, cameras
- Completed renovations to Fire Station #20 and reroof of Fire Station #5
- Started design on the new Public Works Complex for the City
- Started design on renovations for Fire Stations #7, #10, #12, #15, #16

Telecommunications Department

In Fiscal year 2014, Telecom completed upgrades included the NEC telephone system upgrade at the Knoxville Fire Department (Headquarters, Admin and EMS). Smaller NEC upgrades included the replacement of 5 end of life Digital Remote Units (KCHD Teague Clinic, KPD’s Moses Center, Safety City, Young Williams Animal Village and Chilhowee Park Administration Building), voicemail at Lawson McGhee Library, KAT Magnolia Paging and CAC’s Transportation Department Call Recording.

- Telecom completed major re-cabling work orders in General Sessions Clerk and Register of Deeds.
- Audio/Visual projects included the upgrade of the Main Assembly audio system, relocating the system to the room behind the Small Assembly room, expanded the A/V system in the Small Assembly Room and worked with CTV to improve the broadcast audio performance of the systems. Telecom assisted with the A/V upgrade at the Juvenile Justice Center.
- WiFi projects included CCB, Lawson McGhee Library, Knox Central and CAC.
- Other projects supported included the Juvenile Justice Addition, Karns Senior Center, Forensics Center, State St Garage, City Public Works, City Traffic Court, Andrew Johnson Building roof & elevators, CCB roof and Lakeshore Administration Building.
- Telecom received 1,450 work orders, completing 1,437 of them by close of business on June 30th.
- Telecom worked to reestablish our relationship with the Knox Co Sheriff’s Department. This effort has led to Telecom completing 5 large work orders and adding KCSD NEC Voice over IP telephone systems to PBA’s NEC Maintenance Contract for FY ’15.
- On a daily basis, Telecom manages 25 NEC telephones systems, accounting for over 6,000 extensions on the CCB ‘215’ telephone network. This includes the ancillary systems of voicemail, call accounting, call recording and PBX workstations. Telecom also manages 96 Knox Co Schools telephone locations, accounting for approximately 4,000 more extensions.

Management Information Systems (MIS) Department

- On the client side, the MIS Department purchased, configured and deployed -16 desktop PC's, 3 laptops, 1 Network Attached Storage (NAS) server, 6 printers and 4 leased multifunction machines. MIS installed 11 Windows 7 upgrades on existing PC's as well.
- On the network side, the MIS Department upgraded 1 NAS, the Firewall and continued to develop and deploy the Virtual Server configuration. This did require the purchase and installation of additional software and memory upgrades. This provides additional security and operational efficiency.
- MIS also oversaw the implementation of the Amano McGann parking application at our 5 managed garages. This included but was not limited to building the virtual servers, physically expanding the network, deploying network equipment and coordinating software installation with Amano McGann personnel. Another application implementation was Perspective AIR as the replacement for IRMS, which is PBA Security's Incident Reporting System, a mainstay of Security.
- Over the course of the FY13-14 the MIS enhancements came to a total of \$82,111.01.
- MIS provides daily support to PBA's employees and over 400 devices (servers, PC's, printers, wireless devices, smartphones, security cameras, HVAC devices, etc.) on the network.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the PBA for its comprehensive annual financial report for the fiscal years ended June 30, 2013 and 2012. This was the tenth consecutive year that the PBA has received this prestigious award. In order to be awarded a Certificate of Achievement, an organization must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this CAFR results from the combined efforts of the staff of the Finance Department. Those involved have our sincere appreciation for the individual and collective contributions made in preparation of the report. Thank you very much for your professional dedication.

Recognition and appreciation are also extended to the Board for its continued guidance of the operations of the PBA in a financially responsible and progressive manner.

Respectfully submitted,



Dale Smith
Administrator/CEO



Robyn Smith, CPA
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Public Building Authority
of the County of Knox
and the City of Knoxville, Tennessee**

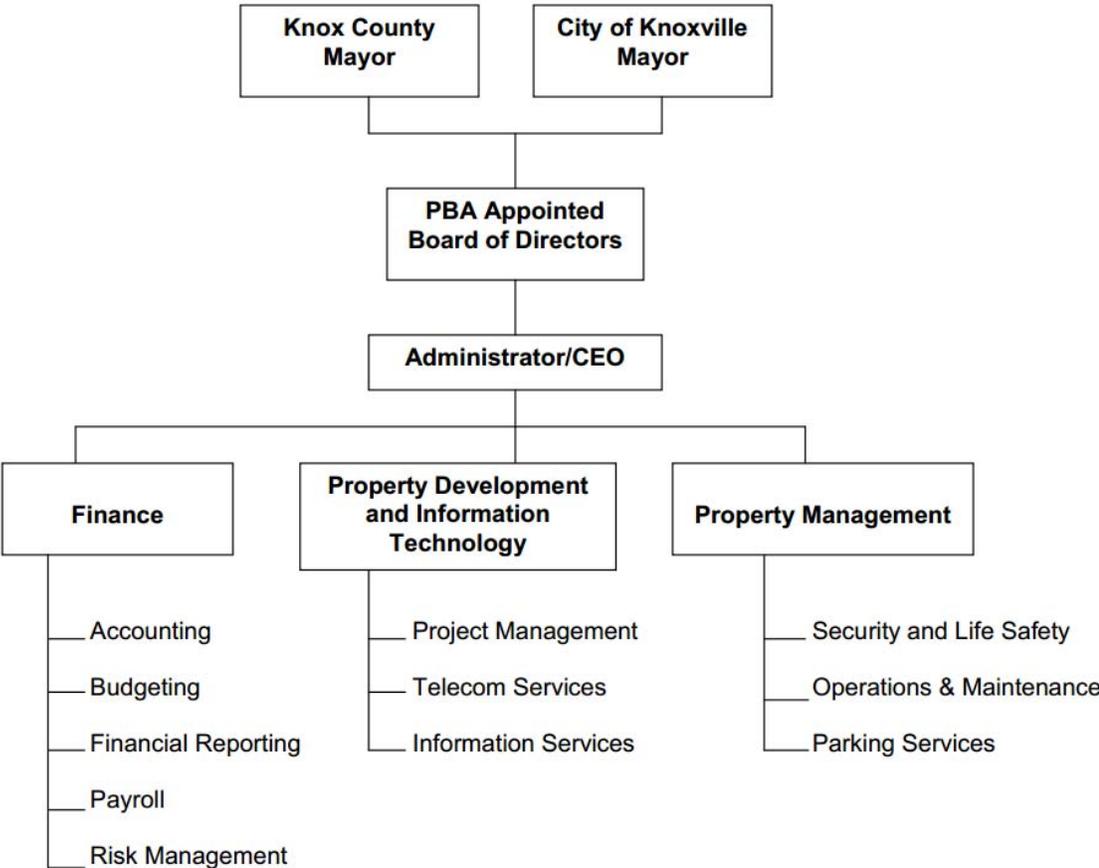
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

**The Public Building Authority of the
County of Knox and the
City of Knoxville, Tennessee**

**Organizational Chart
June 30, 2014**



THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE

ROSTER OF OFFICIALS AND OTHERS

June 30, 2014

<u>Board of Directors</u>	<u>Expiration of Term</u>
Winston Frazier, Chairperson	2019
George T. Prosser, Vice Chairperson	2017
Scott Davis, Secretary	2019
Keena Strickland, Treasurer	2015
Billy J. Stokes, Executive Committee	2019
Lewis Cosby	2017
Dr. Rocio Huet	2015
Chuck Severance	2015
Jennifer Holder	2015
John Sibley	2017
Hubert Smith	2016

Management

Dale Smith, Administrator/CEO

Robyn Smith, Director of Finance

Jayne Burritt, Director of Property Management

Jeff Galyon, Director of Property Development
and Information Technology

Independent Auditor

Mauldin & Jenkins
Certified Public Accountants
Chattanooga, Tennessee

Legal Counsel

W. Morris Kizer
Gentry, Tipton & McLemore, P.C.
Knoxville, Tennessee

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Directors of
The Public Building Authority of the County
of Knox and the City of Knoxville, Tennessee
Knoxville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Public Building Authority of the County of Knox and the City of Knoxville, Tennessee ("PBA"), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the PBA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the PBA as of June 30, 2014 and 2013, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the PBA's basic financial statements. The supplementary information (statement of net position by activity, schedule of revenues, expenses, and changes in net position by activity, and schedule of revenues, expenses, and changes in net position – budget to actual by activity), introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information (statement of net position by activity, schedule of revenues, expenses, and changes in net position by activity, and schedule of revenues, expenses, and changes in net position – budget to actual by activity) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information (statement of net position by activity, schedule of revenues, expenses, and changes in net position by activity, and schedule of revenues, expenses, and changes in net position – budget to actual by activity) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2014 on our consideration of the PBA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PBA's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
October 26, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's analysis of the PBA's financial condition and results of operations for the years ending June 30, 2014, 2013 and 2012. This information should be read in conjunction with the accompanying financial statements.

FINANCIAL HIGHLIGHTS

The following are key financial highlights:

- Total assets at June 30, 2014, 2013 and 2012 were \$15,826,100, \$16,037,146, and \$14,666,501 and exceeded liabilities (net position) by \$11,863,072, \$12,610,780, and \$11,358,715 respectively. Of the total net position, \$2,605,776, \$3,778,411, and \$3,198,172 was unrestricted and was available to support short-term operations for the years ending June 30, 2014, 2013 and 2012, respectively.
- Operating revenues were \$14,248,217, \$13,072,479, and \$12,783,914 for the years ending June 30, 2014, 2013 and 2012, representing a (decrease) increase of 8.99%, 2.21% and (1.22)%, from prior years.
- During 2014 there was an increase of \$424,927 in net position invested in capital assets and a decrease in unrestricted net position of \$(1,172,635), which combined for the overall decrease in net position of \$(747,708).
- Operating expenses before depreciation increased by \$805,592 and increased by \$399,639 during 2014 and 2013, representing a 7.26% increase and 3.6% increase from 2013 and 2012.
- Operating income for 2014 was \$1,393,017, representing an increase of \$401,694 from 2013. The change in net position, before capital contributions and extraordinary gain on impairment, decreased by \$(693,295) when compared to 2013.
- The ratios of operating income to total operating revenues were 9.8% for 2014, 7.6% for 2013 and 9.2% for 2012.
- Capital asset replacement reserve contributions from the City and County were \$548,501 for 2014, \$815,424 for 2013 and \$882,465 for 2012.
- Capital contributions returned to the City and County and other governmental agencies were \$2,201,312 for 2014, \$1,598,276 for 2013 and \$1,744,905 for 2012, an increase of \$603,036 and an increase of \$456,407 when compared to 2013 and 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OVERVIEW OF THE ANNUAL FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's review and analysis of PBA's financial condition and performance. Summary financial statement data, key financial and operational indicators used in PBA's budget, and other management tools were used for this analysis.

The financial statements report information about the PBA using full accrual accounting methods as utilized by similar business-type activities in the private sector.

The financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; a statement of cash flows; and notes to the financial statements. The statement of net position presents the financial position of the PBA on a full accrual basis of accounting. While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses, and changes in net position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the PBA's recovery of its costs.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or the depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the PBA's accounting policies, contracts, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. Supplementary information includes a statement of net position and schedule of revenues, expenses and changes in net position by activity of projects. Also, included is a separate schedule of revenues, expenses and changes in net position – budget to actual by project.

SUMMARY OF ORGANIZATION AND BUSINESS

The PBA is a joint venture between the County of Knox and the City of Knoxville, Tennessee and was created under the authority of the State of Tennessee, Tennessee Code Annotated (TCA), Sections 12-10-101 to 12-10-124. The PBA was incorporated on August 16, 1971. PBA began operations through an operating agreement signed by Knox County and the City of Knoxville on July 1, 1975. The purpose of the PBA is to "acquire, design, construct, operate, and manage public buildings and facilities."

The PBA is governed by 11 Board of Directors (the Board) of which six are appointed by the County and five by the City. Board members serve a six year term. The Board hires an Administrator/Chief Executive Officer (CEO) who is responsible for the management of the PBA.

The PBA's capital assets consist of building improvements, site improvements, machinery and equipment, office equipment and vehicles.

The PBA has no taxing authority. The PBA's revenues are derived from rental income, management fees, net parking revenues, and miscellaneous charges. Rental income and management fees are annually negotiated with the County and City and certain other related governmental organizations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS

The following comparative condensed financial statements and other selected information provides key financial data and indicators for management, monitoring, and planning.

Condensed Statements of Net Position
(In Thousands of Dollars)
June 30, 2014 and 2013 and 2012

	<u>2014</u>		<u>2013</u>		<u>2012</u>
ASSETS					
Current Assets	\$ 6,569	\$	7,205	\$	6,506
Net Capital Assets	<u>9,257</u>		<u>8,832</u>		<u>8,161</u>
 TOTAL ASSETS	 <u>\$ 15,826</u>	 \$	 <u>16,037</u>	 \$	 <u>14,667</u>
 LIABILITIES					
Current Liabilities	\$ 3,741	\$	3,185	\$	3,101
Non-Current Liabilities	<u>222</u>		<u>242</u>		<u>207</u>
 TOTAL LIABILITIES	 <u>3,963</u>		 <u>3,427</u>		 <u>3,308</u>
 NET POSITION					
Investment in Capital Assets	9,257		8,832		8,161
Unrestricted	<u>2,606</u>		<u>3,778</u>		<u>3,198</u>
 Total Net Position	 <u>11,863</u>		 <u>12,610</u>		 <u>11,359</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 15,826</u>	 \$	 <u>16,037</u>	 \$	 <u>14,667</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Condensed Statements of Revenues, Expenses,
and Changes in Net Position
(In Thousands of Dollars)
For The Years Ended June 30, 2014 and 2013 and 2012

	2014	2013	2012
Operating Revenues			
Rentals – Net	\$ 4,327	\$ 4,246	\$ 4,121
Management Fees	6,935	6,104	5,814
Net Parking	2,986	2,722	2,849
Total Operating Revenues	14,248	13,072	12,784
Operating Expenses			
Salaries and Benefits	6,006	5,569	5,490
Office	120	105	93
Education and Training	17	9	7
Purchased Services and Supplies	1,151	1,157	1,056
Operating Contracts	1,676	1,609	1,586
Utilities	2,100	2,051	1,880
Communications	83	96	72
Insurance	298	269	236
Professional Fees	58	49	59
Depreciation	950	982	906
Maintenance Facility	86	82	77
Other	310	103	144
Total Operating Expenses	12,855	12,081	11,606
Operating Income	1,393	991	1,178
Non-Operating Revenues (Expenses)			
Interest Income	19	16	28
Bank Charges	(17)	(12)	(8)
Loss on Capital Assets Removed/Retired	(490)	0	0
Capital Contributions Returned	(2,201)	(1,598)	(1,745)
Total Non-Operating Revenues (Expenses) – Net	(2,689)	(1,594)	(1,725)
Increase (Decrease) in Net Position Before Capital Contributions (Deductions) and Extraordinary Gain on Impairment	(1,296)	(603)	(547)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Capital Contributions (Deductions):			
Capital Contributions	<u>548</u>	<u>815</u>	<u>883</u>
Extraordinary Gain on Impairment	<u>0</u>	<u>1,040</u>	<u>0</u>
Increase (Decrease) in Net Position	(748)	1,252	336
Net Position, Beginning of Year	<u>12,611</u>	<u>11,359</u>	<u>11,023</u>
Net Position, End of Year	\$ <u>11,863</u>	\$ <u>12,611</u>	\$ <u>11,359</u>

OTHER SELECTED INFORMATION

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Space (in Square Feet) Under Management	1,492,061	1,480,288	1,560,288
Number of Parking Spaces Under Management	6,626	6,386	6,409
Parks – Number of Acres Under Management	32	32	32
Employees at Year-End:			
Facilities Management	41	41	40
Safety and Security	51	41	40
Property Development	6	4	4
Telecommunications	11	9	9
Administrative	<u>9</u>	<u>9</u>	<u>8</u>
Total	<u>118</u>	<u>104</u>	<u>101</u>

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Average Number of Employees	111	104	102
Per Average Employee:			
Operating Revenues	\$ 128,362	\$ 125,697	\$ 125,332
Operating Expenses	\$ 115,813	\$ 116,165	\$ 113,787
Ratio of Operating Revenues to:			
Operating Expenses	111%	108%	110%
Operating Expenses – Net of Depreciation	120%	118%	119%
Total Assets	90%	82%	87%
Net Position	120%	104%	113%

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL CONDITION

Net position increased (decreased) by \$(747,708), \$1,252,065, and \$335,441 for the years ending June 30, 2014, 2013 and 2012, respectively. Decrease in net position is the result of the loss on capital assets removed and retired.

RESULTS OF OPERATIONS

Capital Contributions (Deductions)

The PBA collects operating and capital asset replacement reserve contributions from the County and City for future capital asset improvements and replacements. Capital contributions are annually budgeted with the County and City.

Operating and capital asset replacement reserve contributions were \$548,501 and \$815,424 for 2014 and 2013, respectively. The contributions consist of the following:

<u>Year Ended June 30, 2014</u>	<u>Capital Reserves - Contributions</u>
County:	
City County Building	\$ <u>192,174</u>
City:	
City County Building	77,354
City Parking Facilities	0
City Parks	<u>278,973</u>
Total City	<u>356,327</u>
Others	<u>0</u>
Total	\$ <u><u>548,501</u></u>
<u>June 30, 2013</u>	<u>Capital Reserves</u>
County:	
City County Building	\$ <u>482,525</u>
City:	
City County Building	252,000
City Parking Facilities	0
City Parks	<u>80,899</u>
Total City	<u>332,899</u>
Others	<u>0</u>
Total	\$ <u><u>815,424</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

RESULTS OF OPERATIONS (Continued)

Capital Contributions (Deductions) (Continued)

Reserves returned to the City and County during 2014 totaled \$2,135,304 and represented a refund of operating results above the calculated desired reserve. Additionally, operating reserves of \$9,657 were refunded to the Emergency Communications District, \$31,092 to Knoxville Utilities Board, \$16,000 to Knox County Schools, and \$9,259 to the Industrial Development Board, also representing operating reserves above the calculated needed reserve.

Reserves returned to the City and County during 2013 totaled \$1,563,423 and represented a refund of operating results above the calculated desired reserve. Additionally, operating reserves of \$17,845 were refunded to the Emergency Communications District, \$4,635 to Knoxville Utilities Board, \$3,844 to Knox County Schools, and \$8,529 to the Development Corporation, also representing operating reserves above the calculated needed reserve.

Operating Expenses

Operating expenses during 2014, 2013, and 2012 increased by \$774,044, \$474,899, and \$47,615 or 6.4%, 3.9%, and 0.41%, respectively. This was a result of major increases (decreases) such as:

	2014	2013	2012
Salaries and Benefits	\$ 436,804	\$ 79,325	\$ (135,465)
Purchased Services and Supplies	(6,215)	101,473	6,063
Operating Contracts	66,926	22,300	138,027
Utilities	49,372	171,202	(180,000)
Other - Net	227,157	100,599	218,990
Total	\$ 774,044	\$ 474,899	\$ 47,615

Depreciation expense was \$950,153, \$981,701 and \$906,441 in 2014, 2013 and 2012, respectively.

Capital Assets

During 2014, 2013, and 2012, PBA increased its producing capital assets by \$1,584,006, \$1,999,391, and \$1,636,668, respectively. These increases consist of the following:

	2014	2013	2012
Site Improvements	\$ 0	\$ 0	\$ 168,618
Building Improvements	777,338	203,670	1,010,781
Machinery and Equipment	280,653	195,997	340,238
Data Processing Equipment and Software	0	32,365	0
Vehicles	40,203	81,591	12,665
Construction in Progress	766,465	1,485,767	104,366
Total	\$ 1,584,006	\$ 1,999,391	\$ 1,636,668

The PBA's capital asset activity for 2014 and 2013 is described in Note 6 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

ECONOMIC FACTORS AND NEXT FISCAL YEAR

- Contracted services is expected to increase by 20% due to parking management changes and the rebid of custodial and waste management contracts.
- There is a no salary increase budgeted for FY 2015.
- Insurance expense is expected to increase 9.6% (3.44% of the increase relates to property insurance for the City County Building).
- There is a 1.10% and 5.18% projected increase in operating expense budgets related to the City and County, respectively.
- County property budgets increased due to the addition of the Forensic Center and the Karns Senior Center. Both properties are scheduled to be opened in early 2015.
- FY 2015 Budget is summarized as follows:

Revenues	\$	14,955,609
Expenses		<u>13,886,563</u>
Change in Net Position	\$	<u>1,069,046</u>

CONTACTING THE PBA

This financial report is designed to provide our customers, creditors and regulatory agencies with a general overview of the PBA's finances. If you have any questions about this report or need additional information, you may contact the PBA at:

Robyn Smith, CPA
PBA Director of Finance
Andrew Johnson Building, Suite 710
912 South Gay Street
Knoxville, TN 37902
865-215-4630

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY OF KNOX AND
THE CITY OF KNOXVILLE, TENNESSEE**

STATEMENTS OF NET POSITION

June 30, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,880,344	\$ 4,431,454
Receivables:		
Other Receivables	22,357	824,130
Due from City and County	1,561,084	1,741,678
Due from Other Governmental Agencies	1,927	109,358
Inventory	10,571	10,878
Prepaid Items	<u>92,521</u>	<u>87,279</u>
 Total Current Assets	 <u>6,568,804</u>	 <u>7,204,777</u>
 CAPITAL ASSETS		
Property and Equipment	12,148,418	13,727,150
Less: Accumulated Depreciation	(5,306,830)	(6,544,024)
Land	101,016	101,016
Construction in Progress	<u>2,314,692</u>	<u>1,548,227</u>
 Net Capital Assets	 <u>9,257,296</u>	 <u>8,832,369</u>
 TOTAL ASSETS	 \$ <u>15,826,100</u>	 \$ <u>16,037,146</u>

(Continued)

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY OF KNOX AND
THE CITY OF KNOXVILLE, TENNESSEE**

STATEMENTS OF NET POSITION

June 30, 2014 and 2013

LIABILITIES AND NET POSITION

	2014	2013
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 2,258,911	\$ 2,273,181
Due to City and County	1,109,269	541,634
Due to Other Governmental Agencies	66,008	34,853
Customer Deposits	23,194	27,786
Compensated Absences Payable	283,161	307,392
Total Current Liabilities	3,740,543	3,184,846
NON-CURRENT LIABILITIES		
Compensated Absences Payable	222,485	241,520
Total Non-Current Liabilities	222,485	241,520
Total Liabilities	3,963,028	3,436,366
NET POSITION		
Investment in Capital Assets	9,257,296	8,832,369
Unrestricted	2,605,776	3,778,411
Total Net Position	11,863,072	12,610,780
TOTAL LIABILITIES AND NET POSITION	\$ 15,826,100	\$ 16,037,146

The accompanying notes are an integral part of these financial statements

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY OF KNOX AND
THE CITY OF KNOXVILLE, TENNESSEE**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

June 30, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Rental Income from City and County	\$ 4,101,739	\$ 4,013,581
Management Fees from City and County	6,770,676	5,915,239
Management Fees from Other Governmental Agencies	163,956	189,380
Other Rental Income - Net	225,648	232,474
Net Parking Revenues	2,986,198	2,721,805
Total Operating Revenues	14,248,217	13,072,479
OPERATING EXPENSES		
Salaries and Benefits	6,005,836	5,569,032
Office	120,030	105,534
Education and Training	17,241	8,723
Purchased Services and Supplies	1,151,072	1,157,287
Operating Contracts	1,675,598	1,608,672
Utilities	2,100,368	2,050,996
Communications	82,609	95,780
Insurance	298,444	269,125
Professional Fees	58,113	48,926
Depreciation	950,153	981,701
Maintenance Facility	86,008	81,728
Other	309,728	103,652
Total Operating Expenses	12,855,200	12,081,156
OPERATING INCOME	\$ 1,393,017	\$ 991,323

(Continued)

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY OF KNOX AND
THE CITY OF KNOXVILLE, TENNESSEE**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (Continued)

June 30, 2014 and 2013

	2014	2013
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	\$ 19,038	\$ 16,271
Bank Charges	(17,373)	(12,232)
Loss on Capital Assets Removed/Retired	(489,579)	0
Capital Returned to City and County	(2,135,304)	(1,563,423)
Capital Returned to Other Governmental Agencies	(66,008)	(34,853)
Total Non-Operating Revenues (Expenses) - Net	(2,689,226)	(1,594,237)
INCREASE (DECREASE) IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS AND EXTRAORDINARY GAIN ON IMPAIRMENT	(1,296,209)	(602,914)
CAPITAL CONTRIBUTIONS		
Cash:		
Capital Contributions from the City and County	548,501	815,424
Total Contributions	548,501	815,424
EXTRAORDINARY GAIN ON IMPAIRMENT	0	1,039,055
INCREASE (DECREASE) IN NET POSITION	(747,708)	1,252,065
NET POSITION, BEGINNING OF YEAR	12,610,780	11,358,715
NET POSITION, END OF YEAR	\$ 11,863,072	\$ 12,610,780

The accompanying notes are an integral part of these financial statements

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY OF KNOX AND
THE CITY OF KNOXVILLE, TENNESSEE**

STATEMENTS OF CASH FLOWS

June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from City and County	\$ 11,053,009	\$ 9,154,657
Receipts from Other Governmental Agencies	271,387	113,436
Receipts from Other Customers	4,009,027	2,156,500
Payments to Employees	(6,049,101)	(5,489,801)
Payments to Suppliers	<u>(5,918,417)</u>	<u>(5,440,620)</u>
Net Cash Provided by Operating Activities	<u>3,365,905</u>	<u>494,172</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contributed by City and County	548,501	815,424
Capital Returned to City and County	(1,567,669)	(1,639,946)
Capital Returned to Other Governmental Agencies	(34,853)	(16,413)
Capital Asset Additions	(1,864,659)	(1,935,779)
Insurance Proceeds	<u>0</u>	<u>1,321,807</u>
Net Cash Used by Capital and Related Financing Activities	<u>(2,918,680)</u>	<u>(1,454,907)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Deposits	19,038	16,271
Bank Charges	<u>(17,373)</u>	<u>(12,232)</u>
Net Cash Provided by Investing Activities	<u>1,665</u>	<u>4,039</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(448,890)</u>	<u>(956,696)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,431,454</u>	<u>5,388,150</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,880,344</u>	<u>\$ 4,431,454</u>

(Continued)

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY OF KNOX AND
THE CITY OF KNOXVILLE, TENNESSEE**

STATEMENTS OF CASH FLOWS (Continued)

June 30, 2014 and 2013

	2014	2013
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 1,393,017	\$ 991,323
Depreciation	950,153	981,701
Changes in:		
Accounts Receivable	801,773	(800,051)
Due from City and County	180,594	(774,162)
Due from Other Governmental Agencies	107,431	(75,944)
Prepaid Items	(5,242)	(6,664)
Other Current Assets	307	1,306
Accounts Payable and Accrued Liabilities	(14,270)	628,298
Customer Deposits	(4,592)	2,272
Compensated Absences Payable	(43,266)	79,232
Other Current Liabilities	0	(533,139)
 Net Cash Provided by Operating Activities	 \$ 3,365,905	 \$ 494,172

The accompanying notes are an integral part of these financial statements

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY OF KNOX AND
THE CITY OF KNOXVILLE, TENNESSEE**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE 1 - ORGANIZATION

The Public Building Authority of the County of Knox and the City of Knoxville, Tennessee (PBA) was incorporated as a joint venture between the City of Knoxville (the City) and the County of Knox (the County) pursuant to provisions of the Public Building Authority Act, Tennessee Code Annotated (TCA), Sections 12-10-101 to 12-10-124 (the Act). The PBA is considered a political subdivision or municipal corporation, of the State of Tennessee. The PBA is considered to be a special purpose financial reporting entity and has no component units. The PBA has entered into lease transactions with the City and the County for the purchase, construction, refurbishment, maintenance, and operation of certain public building complexes to house the governments of the City and the County and to provide off-street parking facilities in connection with certain projects, as provided by the Act. Additionally, the PBA has entered into certain other operating and property development contracts with the City, County, or other governmental agencies to provide specified services related to projects as discussed in the following notes.

The PBA is governed by 11 Board of Directors (the Board), of which six are appointed by the County and five by the City. Board members serve a six year term.

The Board hires an Administrator/Chief Executive Officer (CEO) who is responsible for the management of PBA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation - The financial statements of the PBA have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. For the year ended June 30, 2013, the PBA implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

All activities of the PBA are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to customers on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The PBA makes a distinction between operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with its principal ongoing operations. The principal operating revenues of the PBA are charges to the City, County or other governmental entities for operating, maintaining and developing publicly-owned facilities. Operating expenses consist of salaries, benefits, utilities, and operating contracts for maintenance, insurance and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounting and financial reporting treatment applied to the PBA is determined by its measurement focus. The transactions of the PBA are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net position (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt and unrestricted components.

Budgeting - The PBA adopts flexible annual operating and capital budgets for each property location or project. Budgets are adopted on a basis consistent with generally accepted accounting principles. The current operating budget details PBA's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year. The capital budget details the plan to receive and expend cash contributions from the City and County for capital improvements.

The budgets are approved by the Board, and as required by various lease or management contracts, are submitted annually to the City and County for approval.

All unexpended and unencumbered appropriations in the operating budget remaining at the end of the fiscal year lapse. No appropriation for a capital project in the capital budget lapses until the purpose for which the appropriation was made has been accomplished or abandoned.

Management submits proposed budgets to the Board prior to the March meeting. The budgets are adopted by resolution prior to July 1. Transfers within the approved budgets, including use of the capital asset replacement reserves (designated net position), are authorized by the Administrator/CEO and subject to the review of the Board. Any use of an operating reserve is reported to the City or County, as appropriate.

The PBA's direct and indirect costs of providing service are considered operating costs. By agreement with the City and the County, operating reserves for property management activities are being established at 8% of the subsequent year's operating budget. For properties managed, life-cycle based capital asset replacement schedules are prepared and presented to the City and County. For City-owned properties a capital asset replacement reserve is included in the budgets. The County provides for scheduled costs within its Capital Improvement Plan.

The net increase (decrease) in net position is considered unrestricted and, by agreement with the City and County, is designated as part of the operating and capital asset replacement reserves.

Reimbursable Projects - Reimbursable projects primarily consist of various City and County owned capital projects in which the PBA is acting as the City or County's project manager or agent. The construction costs are reimbursed by the City and County and are excluded from PBA's operating revenues, expenses, and net position.

Cash and Cash Equivalents - Cash and cash equivalents, for purposes of the statement of cash flows, include restricted and unrestricted cash on hand or on deposit, interest in State Treasurer's Pool, certificates of deposit, daily sweep repurchase accounts, and debt security investments with a maturity at purchase of three months or less.

The carrying amount of cash equivalents and deposits approximates market value.

Receivables and Revenues - Operating revenues consist of net rentals, management fees and net parking revenues.

City and County operating lease revenues are billed on a quarterly basis. Rental revenues for other properties are billed monthly. Rental revenues are recognized as earned over the appropriate time period.

Management fees for various City and County operating and property development contracts are billed quarterly or monthly as determined by the contract. Revenues are recognized as earned over the appropriate time period or construction phase.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net parking revenues are recorded on a monthly basis. These revenues are collected under a third-party contract with a parking vendor.

Receivables are stated at the amount management expects to collect from outstanding balances. The PBA considers receivables to be fully collectible; accordingly, no allowance for uncollectible receivables is recorded. Receivable balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to operating revenues.

Inventories and Prepaid Items - Inventories consist of telecommunications supplies which are valued at cost using the first-in/first-out (FIFO) method.

Certain payments to vendors for maintenance agreements and insurance premiums reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets - Capital assets are defined by the PBA as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Property, plant and equipment in service and construction in progress are recorded at cost, if purchased or constructed. Assets acquired through contributions from the County, City, or other customers are capitalized at their estimated fair market value, if available, or at engineers' estimated fair market value or cost to construct at the date of the contribution.

Maintenance and repairs, which do not significantly extend the life or increase the value of property, plant and equipment, are expensed as incurred.

Interest is not capitalized on project costs funded by contributed capital from the City and County. Interest costs of tax-exempt borrowings are capitalized net of related investment earnings on the proceeds. Depreciation is not recorded until the assets are actually put into use.

Capital assets are depreciated on the straight-line method. Depreciation is calculated using the following estimated useful lives:

	<u>Years</u>
Site Improvements	5-20
Buildings and Improvements	7-30
Machinery and Equipment	5-10
Data Processing Equipment and Software	5
Vehicles	5-7

The City County Building (CCB) and Andrew Johnson Building/Dwight Kessel Metropolitan Parking Garage (AJ/DKMPG) are not recorded on PBA's statement of net position. These facilities were previously "sold" to the City and County under a direct financing capital lease. According to GAAP, this type of transaction is an "in-substance" sale by the PBA to the City and County. Currently, title to the CCB remains with the PBA; however, since the City and County can exercise an option for the transfer of ownership, the agreements constitute a capitalized lease transaction.

Compensated Absences Payable - Accumulated annual leave eligible to be paid to employees at termination or retirement is recorded as an expense and liability as the benefits are earned by the employee. PBA has assumed a first-in, first-out method of using accumulated compensated time and the related liability has been recorded as a current and long-term liability in the financial statements. Effective July 1, 2013, retiring full time employees may be eligible to receive a payment for unused accumulated sick leave at a rate of \$100 per day of accumulated sick leave up to a maximum of \$10,000. If an employee is terminated, sick leave is forfeited.

Capital Asset Replacement Reserve Contributions - The City and County provide capital asset replacement reserve contributions and are recognized in the statement of revenues, expenses, and changes in net position when earned.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position - Net position comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following two components: investment in capital assets, and unrestricted net position. Investment in capital assets consists of all capital assets, net of accumulated depreciation and related outstanding debt. Unrestricted consists of net results of the PBA's operating activities. PBA had designated part of its unrestricted net position for capital replacement, which is described in Note 9.

When both restricted and unrestricted resources are available for use, it is the PBA's policy to use restricted resources first, then unrestricted resources as they are needed.

Reclassifications - Certain amounts presented in the prior year have been reclassified to be consistent with the current year's presentation. The reclassification did not affect the prior year's results of operations.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the statement of net position date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

NOTE 3 - RENTAL AGREEMENTS WITH THE COUNTY AND CITY

Andrew Johnson Building/Dwight Kessel Metropolitan Parking Garage (AJ/DKMPG) - On December 1, 1991, the PBA entered into a capital and operating lease with the County of Knox which expired on June 30, 2011. Thereafter, the lease shall continue from year to year until the governing body of the County shall elect to terminate the contract at the end of a fiscal year. Under the terms of the agreement (as amended on September 1, 1992 and September 1, 1996) the County leased an office building, off-street parking facility, the land and related equipment thereon in return for rentals in amounts necessary to meet the debt-service requirements of the related bond issue, but due to the redemption of the related debt in 2001, the County is no longer required to submit the debt service rentals. According to the original lease agreement, Section 12.8, p.31, upon full payment of the debt, the County, at its option, may direct the PBA to transfer title of the properties to the County. During 2005, the County exercised its option, and requested that the PBA transfer title to the County. Other rental commitments continuing under this lease agreement are equal to the related aggregate of (a) sums equal to the annual estimated expenses for the operation and maintenance of the project as budgeted by the PBA, (b) amounts equal to the unpaid telephone service, (c) sums equal to the annual estimated administrative expenses of the project as budgeted by the PBA, and (d) amounts necessary to pay taxes or assessments levied or made against the PBA as they become due. After the original lease term, the lease shall continue from year to year until the County shall elect to terminate the lease at the end of a fiscal year.

City County Building (CCB) - The PBA constructed and leases the public building complex, the land and the related equipment thereon to the County and City under a 25 year capital and operating lease which expired on June 30, 2001, and is now being extended on an annual basis. According to the original operating agreement between the PBA and the County and City, dated July 1, 1975, Article VIII, in the event of termination of the lease and after all expenses and obligations of the PBA have been met, the City and County shall direct the PBA to whom and in what manner, title to the City County Building is to be transferred and may direct disposition of any excess funds remaining. Based on that agreement, the building complex is not an asset of the PBA. Rentals committed under the lease agreement are equal to the related aggregate of (a) amounts necessary, together with other available funds of PBA, to pay the annual estimated expenses for the operation and maintenance of the project as budgeted by the PBA, (b) amounts equal to the unpaid telephone service, (c) amounts necessary, together with other available funds of the PBA, to pay the annual estimated administrative expenses of the project as budgeted by the PBA, and (d) amounts sufficient to pay taxes or assessments levied or made against the PBA as they become due. The 2014 and 2013 rents are apportioned 71.3% to the County and 28.7% to the City.

NOTE 4 - OPERATING CONTRACTS

The PBA has entered into various operating contracts with the County and the City as described below:

County Property Development and Operations

The PBA and the County entered into a contract in May 1995 subsequently amended in July 1997 and June 2004, for planning, construction, and property management services for various County owned properties. Under the terms of the contract, the County reimburses the PBA for all direct and indirect costs and expenses incurred related to these services. The PBA is required to submit an annual budget for each project and/or location to the County Mayor and Commission for approval. This contract or any project can be terminated upon 180 days written notice by either party.

The following County owned properties are currently being managed by PBA:

- Andrew Johnson Building/Dwight Kessel Metropolitan Parking Garage
- Family Investment Center
- Health Department Facilities
- Juvenile Justice Center
- Knox Central
- Old Court House
- Senior Citizen Centers
- State Street Parking Lot

City Operating Contracts

City Parking Facilities - The PBA and the City entered into an operating contract on August 11, 2005, as amended, for management services for the Market Square Parking Garage, the State Street Parking Garage, the Main Avenue Parking Garage, the Promenade Parking Lot, and the Jackson Avenue Parking Lot. Under the terms of the agreement, the City shall reimburse the PBA for all costs and expenses. This contract may be terminated upon 30 days written notice by either party.

Downtown Cinema - The PBA, the City, and the Industrial Development Board of the City of Knoxville for the Downtown Cinema, Inc. (the IDB) entered into a tri-party operating contract on March 28, 2007, for property management services of the Downtown Cinema. Under terms of the contract, the PBA will perform the IDB's repair and maintenance obligations under the terms of their lease with Regal Cinemas. The PBA is required to submit an annual budget to the City and the IDB for approval. The contract will expire June 30, 2016. The contract may be terminated upon 60 days written notice by any party.

Knoxville Area Transit Center/Magnolia Facility – The PBA and the City entered into operating contracts on July 15, 2010 to provide property management, maintenance, landscaping, security and custodial services for the Knoxville Area Transit Center and was amended on July 1, 2011 to add the Knoxville Area Transit Magnolia Facility. Under the terms of the agreement, the City shall reimburse the PBA for all costs and expenses. The contract will expire July 14, 2015. This contract may be terminated upon 180 days written notice by either party.

Knoxville Police Department/Moses Training Facility - The PBA and the City entered into operating contracts on July 19, 2005 to provide access control management for the Knoxville Police Department (KPD) and was amended on January 21, 2011 to add the Moses Training Facility. Under the agreement, the PBA will purchase, install, manage, and maintain an access control system for the KPD and training facility and the City shall reimburse the PBA for all costs and expenses. The contract will expire on June 30, 2015.

Locust Street Parking Garage - The PBA entered into a contract with the City on December 1, 2000 whereby the PBA will design, develop, operate and maintain a parking facility with 645 spaces and related retail space. Under the terms of the agreement, the City shall reimburse the PBA for all costs and expenses. This contract may be terminated upon 30 days written notice by either party.

Volunteer Landing Public Park - The PBA entered into a contract with the City on September 7, 2001 to maintain the Volunteer Landing Public Park and related facilities. Under the terms of this contract, the City will reimburse the PBA for all costs and expenses. The contract will expire on June 30, 2016. This contract may be terminated upon 30 days written notice by either party.

NOTE 4 - OPERATING CONTRACTS (continued)

City Operating Contracts (continued)

World's Fair Park and Second Creek Greenway - The PBA entered into a contract with the City on July 1, 2001 to manage and maintain the World's Fair Park. This contract was amended on July 1, 2008, to add the Second Creek Greenway. Under the terms of the contract the PBA will provide general and scheduling services, property management and road maintenance. The City will reimburse the PBA for all costs and expenses incurred related to this project. The contract will expire on June 30, 2016. This contract may be terminated upon 30 days written notice by either party.

City Development Contracts

The PBA and the City entered into a contract in February 2005 for planning and construction services for various City owned properties. Under the terms of the contract, the City reimburses the PBA for all direct and indirect costs and expenses incurred related to these services. The PBA is required to submit a project budget to the City Mayor and Council for approval. This contract (180 days) or any project (30 days) can be terminated upon written notice by either party.

City/County Emergency Communications District (District)

The PBA and the District entered into an operating contract on October 1, 2003 for property management services for the District's communications center. Under the terms of the contract, the District reimburses the PBA for all direct and indirect costs and expenses related to property management. The PBA is required to submit an annual budget to the District's Board of Directors for approval. The contract will expire on September 30, 2015. This contract can be terminated upon 180 days written notice by either party.

Fairview Technology Center

The PBA and the Development Corporation of Knox County, Inc. entered into an operating contract on July 1, 2004 for property management services of the Fairview Technology Center. Under terms of the contract, the Development Corporation will reimburse the PBA for all direct and indirect costs related to property management. The PBA is required to submit an annual budget to the Development Corporation's Board of Directors for approval. This contract can be terminated upon 180 days written notice by either party.

City/County Telecommunications

The PBA and the City and County entered into an operating contract on October 30, 2003 for the management of telecommunications services and equipment. Under terms of the contract, the City and County will reimburse the PBA for all direct and indirect costs related to telecommunications. The PBA is required to submit an annual budget to City Council and County Commission for approval. This contract can be terminated upon 90 days written notice by any party.

Knox County Board of Education Telecommunications

The PBA and the County and Board of Education entered into a tri-party operating contract on December 15, 2003 for the management of telecommunications services and equipment. Under terms of the contract, the County will reimburse the PBA for all direct and indirect costs related to telecommunications. The PBA is required to submit an annual budget to the County for approval. This contract can be terminated upon 180 days written notice by any party.

NOTE 5 - DEPOSITS AND INVESTMENTS

Credit Risk – Deposits - Various state statutes restrict the types of deposits available to the PBA. Deposits are limited to bank demand deposits, certificates of deposits, governmental overnight repurchase accounts, and the State Local Government Investment Pool (SLGIP).

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk – Deposits - TCA, Section 9-4-105, requires the PBA to secure deposits by having banks pledge governmental securities as collateral. The state statute requires collateral whose market value is equal to 105% of the deposit, less the amount protected by the Federal Deposit Insurance Corporation (FDIC). In lieu of pledged collateral, the bank may participate in the bank collateral pool as administered by the Tennessee State Treasurer. Banks that participate in the bank collateral pool may use one of three different security pledge levels (90, 100 or 105%) depending on the specific bank holding the deposit. Participating banks determine the aggregate balance of their public fund accounts for the PBA. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency.

Cash and Cash Equivalents - In lieu of a daily sweep overnight repurchase account, the PBA utilizes a special money rate checking account for public funds. All funds, less a required reserve of 10%, automatically earn interest at the rate of Federal Funds plus 20 basis points for 2014 and 47 basis points for 2013. The effective rate of interest on all collected funds was .20% at year-end 2014 and .47% at the year-end 2013. All funds are available on demand.

The PBA's cash and cash equivalents at June 30, 2014 and 2013 are as follows:

	2014	2013
Petty Cash	\$ 450	\$ 450
Postage	0	298
Demand Deposits	4,879,894	4,430,706
Total	\$ 4,880,344	\$ 4,431,454

The demand deposits were covered by the state bank collateral pool as described above.

Credit Risk – Investments - Various state statutes restrict the type of investments available to the PBA. Investments are limited to bank certificates of deposits, direct obligations of the State of Tennessee and U.S. Government, Federal Agency securities, Tennessee Municipal bonds and the SLGIP. It is PBA's policy to limit investments in securities issued by United States agencies to the highest rating by two nationally recognized ratings organizations, Standard and Poor's, and Moody's Investor Services.

Custodial Credit Risk – Investments - The PBA's investment policy requires that debt securities be registered in the PBA's name. All safekeeping receipts for investment instruments are held in accounts in the PBA's name and all securities are registered in the PBA's name.

Concentration of Credit Risk – Investments - The PBA's investment policy permits 100% of its investment portfolio to be invested in U.S. Government obligations. At no time will the portfolio be comprised of more than 55% of Federal Agency securities. The PBA does not require diversification among authorized investment institutions and considers its approved bank as the approved investment institution.

Interest Rate Risk – Investments - Investments are made based upon prevailing market conditions at the time of the transaction with the intent to hold the investment until maturity. If the yield of the investment portfolio can be improved by selling an investment prior to maturity, management has the authority to do so.

In accordance with its investment policy, the PBA manages its exposure to declines in fair values by limiting the maturity of individual investments to two years or less.

Investment Income - Investment income, which consists of interest income, was \$19,038 and \$16,271 for 2014 and 2013, respectively. Bank charges are shown separately and were \$17,373 and \$12,232 for 2014 and 2013, respectively.

NOTE 6 - CAPITAL ASSETS

Capital asset activity during the year ended June 30, 2014 was as follows:

	Balances July 1, 2013	Additions	Disposals	Transfers	Balances June 30, 2014
Capital Assets, Not Being Depreciated:					
Land	\$ 101,016	\$ 0	\$ 0	\$ 0	\$ 101,016
Construction in Progress	1,548,227	1,149,881	0	(383,416)	2,314,692
Subtotal	1,649,243	1,149,881	0	(383,416)	2,415,708
Capital Assets Being Depreciated:					
Site Improvements	777,448	0	(80,778)	0	696,670
Buildings & Improvements	8,756,498	393,922	(822,878)	383,416	8,710,958
Machinery & Equipment	3,415,298	280,653	(1,401,314)	0	2,294,637
Data Processing Equipment & Software	330,284	0	(171,645)	0	158,639
Vehicles	447,622	40,203	(200,311)	0	287,514
Subtotal	13,727,150	714,778	(2,676,926)	383,416	12,148,418
Less: Accumulated Depreciation:					
Site Improvements	(248,945)	(67,518)	30,721	0	(285,742)
Building Improvements	(3,422,650)	(478,541)	561,370	0	(3,339,821)
Machinery & Equipment	(2,337,253)	(332,327)	1,291,474	0	(1,378,106)
Data Processing Equipment & Software	(257,130)	(26,385)	162,304	0	(121,211)
Vehicles	(278,046)	(45,382)	141,478	0	(181,950)
Subtotal	(6,544,024)	(950,153)	2,187,346	0	(5,306,830)
Total Capital Assets Being Depreciated – Net	7,183,126	(235,375)	(489,579)	383,416	6,841,588
Total Capital Assets - Net	\$ 8,832,369	\$ 914,506	\$ (489,579)	\$ 0	\$ 9,257,296

NOTE 6 - CAPITAL ASSETS (continued)

Capital asset activity during the year ended June 30, 2013 was as follows:

	<u>Balances</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balances</u> <u>June 30, 2013</u>
Capital Assets, Not Being Depreciated:					
Land	\$ 101,016	\$ 0	0	\$ 0	\$ 101,016
Construction in Progress	<u>136,321</u>	<u>1,485,767</u>	<u>(52,800)</u>	<u>(21,061)</u>	<u>1,548,227</u>
Subtotal	<u>237,337</u>	<u>1,485,767</u>	<u>(52,800)</u>	<u>(21,061)</u>	<u>1,649,243</u>
Capital Assets Being Depreciated:					
Site Improvements	777,448	0	0	0	777,448
Buildings & Improvements	9,126,620	203,670	(573,792)		8,756,498
Machinery & Equipment	3,198,239	195,997		21,061	3,415,298
Data Processing Equipment & Software	297,919	32,365	0	0	330,284
Vehicles	<u>366,031</u>	<u>81,591</u>	<u>0</u>	<u>0</u>	<u>447,622</u>
Subtotal	<u>13,766,257</u>	<u>513,624</u>	<u>(573,792)</u>	<u>21,061</u>	<u>13,727,150</u>
Less: Accumulated Depreciation:					
Site Improvements	(173,343)	(75,602)	0	0	(248,945)
Building Improvements	(3,219,384)	(483,994)	280,728	0	(3,422,650)
Machinery & Equipment	(1,992,326)	(344,927)	0	0	(2,337,253)
Data Processing Equipment & Software	(225,811)	(31,319)	0	0	(257,130)
Vehicles	<u>(232,187)</u>	<u>(45,859)</u>	<u>0</u>	<u>0</u>	<u>(278,046)</u>
Subtotal	<u>(5,843,051)</u>	<u>(981,701)</u>	<u>280,728</u>	<u>0</u>	<u>(6,544,024)</u>
Total Capital Assets Being Depreciated – Net	<u>7,923,206</u>	<u>(468,077)</u>	<u>(293,064)</u>	<u>21,061</u>	<u>7,183,126</u>
Total Capital Assets - Net	<u>\$ 8,160,543</u>	<u>\$ 1,017,690</u>	<u>\$ (345,864)</u>	<u>\$ 0</u>	<u>\$ 8,832,369</u>

NOTE 6 - CAPITAL ASSETS (continued)

Depreciation expense was charged as follows:

	2014	2013
Andrew Johnson Building/Dwight Kessel Metropolitan Parking Garage	\$ 37,536	\$ 42,229
City County Building	416,781	434,918
City Parking Facilities	95,470	95,999
City Parks	143,032	147,287
E-911	150	300
Fairview Technology Center	1,125	1,125
Health Department	281	921
Juvenile Justice Center	4,219	4,319
Knoxville Area Transit Facilities	949	942
Knox Central	735	1,946
Old Court House	37,011	38,604
Other	23,132	30,515
Property Development	179	359
Senior Centers	1,017	2,031
Telecom	188,536	180,208
Total	\$ 950,153	\$ 981,701

During the fiscal year ended June 30, 2014, the PBA changed its capitalization policy from capitalizing assets with an initial cost of \$5,000 and an estimated useful life in excess of two year to capitalizing assets with an initial cost of \$10,000 and an estimated useful life of two years. As a result of the change in accounting policy, the PBA included in Loss on Capital Assets Removed/Retired a total of \$339,772 which represents the net book value of assets previously capitalized which were under the new capitalization threshold.

NOTE 7 – CONSTRUCTION IN PROGRESS

At June 30, 2014 and 2013, construction in progress consisted of the following:

Facility/Project	2014		2013	
	Actual To-Date	Remaining Commitment	Actual To-Date	Remaining Commitment
City/County Building:				
Roof Replacement	\$ 1,922,496	127,728	\$ 998,060	1,122,380
Garage Post Tension Cables	195,817	26,455	157,171	30,819
Boiler Replacement			383,416	106,144
HVAC Controllers	125,629	101,986		
Crosswalk	6,785	136,091		
City Parks:				
Fountain Computer System – World's Fair Park	45,271	27,289	9,580	64,500
Amphitheater Lighting	18,694	17,996	9,580	64,500
Total	\$ 2,314,692	\$ 437,545	\$ 1,548,227	\$ 1,323,843

NOTE 8 – COMPENSATED ABSENCES PAYABLE

Compensated absences activity during the years ended June 30, 2014 and 2013 was as follows:

	<u>2014</u>	<u>2013</u>
Balance, Beginning of Year	\$ 548,912	\$ 469,681
Earned	262,269	340,935
Used	<u>(305,535)</u>	<u>(261,704)</u>
Balance, End of Year	\$ <u>505,646</u>	\$ <u>548,912</u>
Current Portion	\$ 283,161	\$ 307,392
Non-Current Portion	<u>222,485</u>	<u>241,520</u>
Total	\$ <u><u>505,646</u></u>	\$ <u><u>548,912</u></u>

NOTE 9: NET POSITION

Net position represent the difference between assets and liabilities. The net position at June 30, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Investment in Capital Assets:		
Net Capital Assets	\$ <u>9,257,296</u>	\$ <u>8,832,369</u>
Unrestricted:		
Designated for Operating Reserve	1,036,564	1,011,126
Designated for Capital Asset Replacement	<u>1,569,212</u>	<u>2,767,285</u>
	<u>2,605,776</u>	<u>3,778,411</u>
Total	\$ <u><u>11,863,072</u></u>	\$ <u><u>12,610,780</u></u>

Since the PBA is a joint venture between the City and the County, the net position represents the equity ownership of the City, County and others. The joint venture equity in the PBA at June 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
City	\$ 5,414,811	\$ 5,664,745
County	6,422,187	6,915,396
Others:		
Development Corp. of Knox County	5,174	5,389
Emergency Communications District	9,500	13,850
Knox County Schools	<u>11,400</u>	<u>11,400</u>
Total	\$ <u><u>11,863,072</u></u>	\$ <u><u>12,610,780</u></u>

NOTE 10 – OPERATING REVENUES

Operating revenues earned during the years ended June 30, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Rental Income from City and County	\$ <u>4,101,739</u>	\$ <u>4,013,581</u>
Other Rental Income:		
Gross Revenues	225,648	232,474
Less: Bad Debts	<u>0</u>	<u>0</u>
Other Rental Income – Net	<u>225,648</u>	<u>232,474</u>
Management Fees from the City and County	<u>6,770,676</u>	<u>5,915,239</u>
Management Fees from Other Governmental Agencies	<u>163,956</u>	<u>189,380</u>
Parking Revenues:		
Gross Revenues	3,522,278	3,230,002
Less: Commissions to Vendor	<u>(536,080)</u>	<u>(508,197)</u>
Net Parking Revenues	<u>2,986,198</u>	<u>2,721,805</u>
Total	<u>\$ 14,248,217</u>	<u>\$ 13,072,479</u>

NOTE 11 – CAPITAL CONTRIBUTIONS AND DEDUCTIONS

During the year ended June 30, 2014, capital contributions and deductions were as follows:

	<u>City</u>	<u>County</u>	<u>Others</u>	<u>Total</u>
Capital Contributions				
Capital Asset Replacement Reserves	\$ 350,723	178,520	0	528,973
Operating Reserves	5,604	13,924	0	19,528
Capital Deductions				
Capital Contributions Returned	<u>(1,951,741)</u>	<u>(183,563)</u>	<u>(66,008)</u>	<u>(2,201,312)</u>
Total - Net	<u>\$ (1,595,414)</u>	<u>8,611</u>	<u>(66,008)</u>	<u>(1,652,811)</u>

During the year ended June 30, 2013 capital contributions and deductions were as follows:

	<u>City</u>	<u>County</u>	<u>Others</u>	<u>Total</u>
Capital Contributions				
Capital Asset Replacement Reserves	\$ 332,899	482,525	0	815,424
Capital Deductions				
Capital Contributions Returned	<u>(1,357,281)</u>	<u>(206,142)</u>	<u>(34,853)</u>	<u>(1,598,276)</u>
Total - Net	<u>\$ (1,024,382)</u>	<u>276,383</u>	<u>(34,853)</u>	<u>782,852</u>

NOTE 11 – CAPITAL CONTRIBUTIONS AND DEDUCTIONS (continued)

During the year ended June 30, 2014, the PBA returned to the City, the County, the Emergency Communications District, Knox County Schools, Knoxville Utilities Board, and the Industrial Development Board operating funds in excess of those agreed upon to be held in separate operating reserves; \$1,951,741 was returned to the City, \$183,563 was returned to the County, \$9,657 was returned to the Emergency Communications District, \$16,000 was returned to Knox County Schools, \$31,092 was returned to Knoxville Utilities Board, and \$9,259 was returned to the Industrial Development Board. These funds represented the results of operations.

During the year ended June 30, 2013, the PBA returned to the City, the County, the Emergency Communications District, Knox County Schools, Knoxville Utilities Board, and the Development Corporation operating funds in excess of those agreed upon to be held in separate operating reserves; \$1,357,281 was returned to the City, \$206,142 was returned to the County, \$17,846 was returned to the Emergency Communications District, \$3,844 was returned to Knox County Schools, \$4,635 was returned to Knoxville Utilities Board, and \$8,528 was returned to the Development Corporation. These funds represented the results of operations.

NOTE 12 – RISK MANAGEMENT

The PBA is exposed to various risks of losses related to torts; theft or damage to, and destruction of assets; injuries to employees; and natural disasters. The PBA carries commercial insurance for these risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 13 – RELATED PARTY TRANSACTIONS AND ECONOMIC CONCENTRATION

PBA's two joint venture "owners," Knox County and the City of Knoxville, had the following activity during 2014 and 2013:

June 30, 2014	City	County	Total
Due From, End of Year	\$ 564,869	\$ 996,215	\$ 1,561,084
Due To, End of Year	950,706	158,563	1,109,269
Rental Income	1,177,199	2,924,540	4,101,739
Management Fees	3,951,997	2,818,679	6,770,676
Net Parking Revenues	2,375,134	611,064	2,986,198
June 30, 2013	City	County	Total
Due From, End of Year	\$ 860,100	\$ 881,578	\$ 1,741,678
Due To, End of Year	335,492	206,142	541,634
Rental Income	1,151,898	2,861,683	4,013,581
Management Fees	3,389,988	2,525,251	5,915,239
Net Parking Revenues	2,137,081	584,724	2,721,805

During the years ended June 30, 2014 and 2013, approximately 53% and 51% of operating revenues, respectively, were from the City. During the years ended June 30, 2014 and 2013, approximately 49% and 49% of operating revenues, respectively, were from the County.

NOTE 14 - RETIREMENT PLANS

Overview

As described in the Operating Agreement, Article IV, dated July 1, 1975, the PBA employees have been designated as "County employees" for the purpose of participating in the County's retirement plans.

The County has two retirement plans available to the PBA employees:

1. The *County Defined Contribution Retirement (DC) Plan* is a defined contribution plan (an asset accumulation plan) established by Knox County under Sections 401(a)(9) and 457 of the Internal Revenue Code. The Plan covers substantially all full-time employees of PBA, who are regularly scheduled to work 18.5 hours or more per week. Plan benefits depend solely on amounts contributed to the plan plus investment earnings. Participation begins on the first day of employment and all eligible employees not participating in the *County DB* retirement plan are required to participate.
2. The *County Defined Contribution (DC) Medical Retirement Plan*, a voluntary defined contribution plan (an asset accumulation plan), was established by the County on July 1, 1998, under Section 401(a)(9) of the Internal Revenue Code. Plan benefits depend solely on amounts contributed to the plan plus investment earnings. Voluntary participation begins upon enrollment; eligible employees may begin participation on the first day of employment. The Plan was specifically created to assist employees in planning and investing for anticipated medical expenses upon retirement.

All Plan provisions and contribution requirements are established and may be amended by the Knox County Retirement Board. The plans are administered by USI Consulting Group.

The financial statements of the County's retirement plans are reported within Knox County's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2014. The CAFR may be obtained by writing or contacting the Knox County Finance Department at:

Knox County Finance Department
400 Main Avenue
City County Building, Suite 630
Knoxville, Tennessee 37902
865-215-2350
www.knoxcounty.org

NOTE 14 - RETIREMENT PLANS (Continued)

County Defined Contribution (DC) Retirement Plan

The County DC Plan requires all participants to make pre-tax contributions of six percent of annual compensation. PBA will provide a 100% match of participants' six percent contributions. Effective July 1, 2007, the Plan was amended to allow participants to make additional voluntary pre-tax contributions of up to nine percent of annual compensation with a 100% match of participants' six percent of compensation.

The following table indicates the contribution and service requirements under the Plan.

<u>Contribution Type and Years of Service</u>	<u>Employee Contribution</u>	<u>Employer (PBA) Contribution</u>
Mandatory	6%	6%
Voluntary		
Less than 5 Years	9%	0%
5 to 9 Years	9%	2%
10 to 14 Years	9%	4%
15 or more Years	9%	6%

Participants are always 100% vested in their contributions and become 100% vested in PBA's matching contributions after completing five years of continuous service.

Normal retirement age is 65 and early retirement is age 55, both with completion of five years of service. Participants may receive retirement benefit payments in fixed payments, lump-sum or have an option to purchase an annuity from a life insurance company.

During the years ended June 30, 2014 and 2013, PBA employees made mandatory and voluntary contributions of \$315,336 and \$293,177, respectively. During 2014 and 2013, PBA made matching employer contributions of \$305,933 and \$283,834, respectively.

County Defined Contribution (DC) Medical Retirement Plan

The County DC Medical Retirement Plan (the Plan) is an optional retiree medical savings plan available to full-time PBA employees who are participants in the County's DB or DC pension plans.

Participants make voluntary after-tax contributions with a matching contribution funded by using excess funds as actuarially determined from the County DB Plan.

The maximum and minimum participant annual contributions for the years ended June 30, 2014 and 2013 are \$ and \$, respectively. The County DC Plan will make matching contributions of 25% of the participant's. In addition, participants and retirees may qualify for the following additional benefits:

1. A participant reaching age 40 and completing at least five years of credited service received a one-time lump sum contribution of \$100 for each year of eligible service from the Knox County Retirement and Pension Board.
2. Retirees are eligible for an additional distribution of a specific amount approved by the Board annually to help defer the retiree's medical costs. The history of this distribution is as follows:

<u>Calendar Year</u>	<u>Amount</u>
2014	120
2013	120
2012	120
2011	120

Participants are always 100% vested in voluntary and matching contributions. During 2014 and 2013, PBA employees made voluntary contributions of \$5,732 and \$ 4,764, respectively.

NOTE 15 - DEFERRED COMPENSATION PLAN

The PBA offers its employees, through the Knox County Retirement Board, a supplemental deferred compensation plan created in accordance with Internal Revenue Code, Section 457 (the 457 Plan). The 457 Plan, available to all PBA employees, permits them to defer a portion of their salary until retirement. Employees can make voluntary pre-tax contributions; however, the PBA does not make any matching employer contributions. Employees are always 100% vested in their voluntary contributions. There were no employee contributions made during the years ended June 30, 2014 and 2013.

**SUPPLEMENTARY
INFORMATION**

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**STATEMENT OF NET POSITION BY ACTIVITY
June 30, 2014**

	Property Management - City Properties					
	Parking Facilities	Police Department	Parks	Transit Facility	Downtown Cinema	Total City Properties
Assets:						
Current Assets						
Cash and Cash Equivalents	\$ 743,995	3,126	946,247	189,390	37,112	1,919,870
Receivables:						
Other Receivables	12,262	0	10,095	0	0	22,357
Due from County	0	0	0	0	0	0
Due from City	0	0	0	0	0	0
Due from Other Governmental Agencies	0	0	0	0	0	0
Due from Other Departments	0	0	0	0	0	0
Inventory	0	0	0	0	0	0
Prepaid Items	0	0	0	0	0	0
Total Current Assets	756,257	3,126	956,342	189,390	37,112	1,942,227
Capital Assets						
Building Improvements	1,068,918	0	185,076	0	0	1,253,994
Site Improvements	0	0	627,415	0	0	627,415
Data Processing Equipment and Software	0	0	0	0	0	0
Machinery and Equipment	312,188	0	342,254	0	0	654,442
Vehicles	0	0	195,691	0	0	195,691
Total Capital Assets	1,381,106	0	1,350,436	0	0	2,731,542
Less: Accumulated Depreciation	(485,711)	0	(639,176)	0	0	(1,124,887)
Construction in Progress	0	0	63,965	0	0	63,965
Net Capital Assets	895,395	0	775,225	0	0	1,670,620
Total Assets	\$ 1,651,652	3,126	1,731,567	189,390	37,112	3,612,847
Liabilities:						
Current Liabilities						
Accounts Payable and Accrued Liabilities	\$ 174,588	215	164,933	42,392	1,799	383,927
Due to City	0	0	0	0	0	0
Due to County	0	0	0	0	0	0
Due to Other Governmental Agencies	0	0	0	0	0	0
Due to (from) Other Departments	374,250	2,362	293,110	117,843	28,592	816,157
Customer Deposits	3,829	0	15,418	0	3,947	23,194
Compensated Absences Payable	18,272	308	60,212	16,327	1,554	96,673
Total Current Liabilities	570,939	2,885	533,673	176,562	35,892	1,319,951
Non-Current Liabilities						
Compensated Absences Payable	14,357	241	47,309	12,828	1,220	75,955
Total Non-Current Liabilities	14,357	241	47,309	12,828	1,220	75,955
Total Liabilities	585,296	3,126	580,982	189,390	37,112	1,395,906
Net Position						
Investment in Capital Assets	895,395	0	775,225	0	0	1,670,620
Unrestricted:						
Designated for Operating Reserve	0	0	0	0	0	0
Designated for Capital Asset Replacement Reserve	170,961	0	375,360	0	0	546,321
Total Net Position	1,066,356	0	1,150,585	0	0	2,216,941
Total Liabilities and Net Position	\$ 1,651,652	3,126	1,731,567	189,390	37,112	3,612,847

Property Management - County Properties

Andrew Johnson Building/ Dwight Kessel Metropolitan Parking Garage	Family Investment Center	Health Department	Juvenile Justice Center	Knox Central	Old Court House	Senior Centers	State Street Parking Lot	Total County Properties
\$ 122,943	24,244	51,758	100,143	6,376	85,273	13,278	30,641	434,656
0	0	0	0	0	0	0	0	0
341,657	4,300	16,517	3,796	0	7,270	9,340	0	382,880
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
<u>464,600</u>	<u>28,544</u>	<u>68,275</u>	<u>103,939</u>	<u>6,376</u>	<u>92,543</u>	<u>22,618</u>	<u>30,641</u>	<u>817,536</u>
730,486	0	0	11,591	0	659,863	0	0	1,401,940
0	0	0	0	0	0	0	0	0
19,620	0	0	0	0	0	0	0	19,620
129,327	0	5,028	0	6,656	0	0	0	141,011
0	0	0	14,000	0	10,200	0	0	24,200
879,433	0	5,028	25,591	6,656	670,063	0	0	1,586,771
(610,582)	0	(5,028)	(7,414)	(6,656)	(383,720)	0	0	(1,013,400)
0	0	0	0	0	0	0	0	0
<u>268,851</u>	<u>0</u>	<u>0</u>	<u>18,177</u>	<u>0</u>	<u>286,343</u>	<u>0</u>	<u>0</u>	<u>573,371</u>
\$ <u>733,451</u>	<u>28,544</u>	<u>68,275</u>	<u>122,116</u>	<u>6,376</u>	<u>378,886</u>	<u>22,618</u>	<u>30,641</u>	<u>1,390,907</u>
\$ 381,522	7,015	35,497	38,535	8,928	30,076	12,525	148	514,246
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
50,782	16,302	20,496	42,636	(10,096)	37,826	5,383	30,493	193,822
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
18,085	2,927	6,878	12,750	4,224	13,799	2,637	0	61,300
<u>450,389</u>	<u>26,244</u>	<u>62,871</u>	<u>93,921</u>	<u>3,056</u>	<u>81,701</u>	<u>20,545</u>	<u>30,641</u>	<u>769,368</u>
<u>14,211</u>	<u>2,300</u>	<u>5,404</u>	<u>10,018</u>	<u>3,320</u>	<u>10,842</u>	<u>2,073</u>	<u>0</u>	<u>48,168</u>
<u>14,211</u>	<u>2,300</u>	<u>5,404</u>	<u>10,018</u>	<u>3,320</u>	<u>10,842</u>	<u>2,073</u>	<u>0</u>	<u>48,168</u>
<u>464,600</u>	<u>28,544</u>	<u>68,275</u>	<u>103,939</u>	<u>6,376</u>	<u>92,543</u>	<u>22,618</u>	<u>30,641</u>	<u>817,536</u>
268,851	0	0	18,177	0	286,343	0	0	573,371
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
<u>268,851</u>	<u>0</u>	<u>0</u>	<u>18,177</u>	<u>0</u>	<u>286,343</u>	<u>0</u>	<u>0</u>	<u>573,371</u>
\$ <u>733,451</u>	<u>28,544</u>	<u>68,275</u>	<u>122,116</u>	<u>6,376</u>	<u>378,886</u>	<u>22,618</u>	<u>30,641</u>	<u>1,390,907</u>

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**STATEMENT OF NET POSITION BY ACTIVITY (Continued)
June 30, 2014**

	Property Management - Other							
	City County Building	Emergency Communi- cations District	Fairview Technology Center	Total Property Management	Property Development	Telecom Services	Corporate	Total
Assets:								
Current Assets								
Cash and Cash Equivalents	\$ 1,716,507	31,222	8,932	4,111,187	172,171	284,529	312,457	4,880,344
Receivables:								
Other Receivables	0	0	0	22,357	0	0	0	22,357
Due from County	0	0	0	382,880	0	38,797	574,538	996,215
Due from City	0	0	0	0	0	5,378	559,491	564,869
Due from Other Governmental Agencies	0	0	0	0	0	0	1,927	1,927
Due from Other Departments	0	0	0	0	0	0	1,411,197	1,411,197
Inventory	0	0	0	0	0	10,571	0	10,571
Prepaid Items	0	0	0	0	0	0	92,521	92,521
Total Current Assets	1,716,507	31,222	8,932	4,516,424	172,171	339,275	2,952,131	7,980,001
Capital Assets								
Land	0	0	0	0	0	0	101,016	101,016
Buildings	0	0	0	0	0	0	528,264	528,264
Building Improvements	5,513,958	0	0	8,169,892	0	0	12,802	8,182,694
Site Improvements	69,255	0	0	696,670	0	0	0	696,670
Data Processing Equipment and Software	103,470	0	0	123,090	0	18,751	16,798	158,639
Machinery and Equipment	471,251	0	11,250	1,277,954	0	1,016,683	0	2,294,637
Vehicles	16,491	0	0	236,382	0	51,132	0	287,514
Total Capital Assets	6,174,425	0	11,250	10,503,988	0	1,086,566	658,880	12,249,434
Less: Accumulated Depreciation	(2,517,711)	0	(10,686)	(4,666,684)	0	(548,582)	(91,564)	(5,306,830)
Construction in Progress	2,250,727	0	0	2,314,692	0	0	0	2,314,692
Net Capital Assets	5,907,441	0	564	8,151,996	0	537,984	567,316	9,257,296
Total Assets	\$ 7,623,948	31,222	9,496	12,668,420	172,171	877,259	3,519,447	17,237,297
Liabilities:								
Current Liabilities								
Accounts Payable and Accrued Liabilities	\$ 155,667	7,170	2,224	1,063,234	25,792	76,447	1,093,438	2,258,911
Due to City	0	0	0	0	0	0	950,706	950,706
Due to County	0	0	0	0	0	0	158,563	158,563
Due to Other Governmental Agencies	0	0	0	0	0	0	66,008	66,008
Due to (from) Other Departments	87,533	10,842	518	1,108,872	98,815	203,510	0	1,411,197
Customer Deposits	0	0	0	23,194	0	0	0	23,194
Compensated Absences Payable	62,371	2,078	885	223,307	26,636	33,218	0	283,161
Total Current Liabilities	305,571	20,090	3,627	2,418,607	151,243	313,175	2,268,715	5,151,740
Non-Current Liabilities								
Compensated Absences Payable	49,007	1,632	695	175,457	20,928	26,100	0	222,485
Total Non-Current Liabilities	49,007	1,632	695	175,457	20,928	26,100	0	222,485
Total Liabilities	354,578	21,722	4,322	2,594,064	172,171	339,275	2,268,715	5,374,225
Net Position								
Investment in Capital Assets	5,907,441	0	564	8,151,996	0	537,984	567,316	9,257,296
Unrestricted:								
Designated for Operating Reserve	339,038	9,500	4,610	353,148	0	0	683,416	1,036,564
Designated for Capital Asset Replacement Reserve	1,022,891	0	0	1,569,212	0	0	0	1,569,212
Total Net Position	7,269,370	9,500	5,174	10,074,356	0	537,984	1,250,732	11,863,072
Total Liabilities and Net Position	\$ 7,623,948	31,222	9,496	12,668,420	172,171	877,259	3,519,447	17,237,297

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION BY ACTIVITY
For the Year Ended June 30, 2014**

	Property Management - City Properties					
	Parking Facilities	Police Department	Parks	Transit Facility	Downtown Cinema	Total City Properties
Operating Revenues:						
Rental Income from City and County	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Management Fees from City and County	0	8,039	2,236,972	884,834	32,486	3,162,331
Management Fees from Other Governmental Agencies	0	0	0	0	31,459	31,459
Rental and Event Revenues	49,115	0	121,860	0	47,360	218,335
Net Parking Revenues (Expenses)	<u>2,291,918</u>	<u>0</u>	<u>68,178</u>	<u>0</u>	<u>0</u>	<u>2,360,096</u>
Total Operating Revenues	<u>2,341,033</u>	<u>8,039</u>	<u>2,427,010</u>	<u>884,834</u>	<u>111,305</u>	<u>5,772,221</u>
Operating Expenses:						
Direct:						
<u>Property Management</u>						
Management	295,270	2,171	348,986	35,753	6,434	688,614
Safety and Services	338,480	2,921	433,972	268,538	10,776	1,054,687
Operations and Maintenance	412,165	0	1,305,903	397,181	57,736	2,172,985
<u>Other Management Services</u>						
Property Development	0	0	0	0	0	0
Telecom Services	0	0	0	0	0	0
Total Direct Operating Expenses	<u>1,045,915</u>	<u>5,092</u>	<u>2,088,861</u>	<u>701,472</u>	<u>74,946</u>	<u>3,916,286</u>
Indirect:						
Corporate Administration	32,134	260	78,274	29,317	3,475	143,460
Finance	37,033	301	90,039	33,941	3,970	165,284
MIS	15,317	125	37,247	14,034	1,643	68,366
Total Indirect Operating Expenses	<u>84,484</u>	<u>686</u>	<u>205,560</u>	<u>77,292</u>	<u>9,088</u>	<u>377,110</u>
Total Operating Expenses	<u>1,130,399</u>	<u>5,778</u>	<u>2,294,421</u>	<u>778,764</u>	<u>84,034</u>	<u>4,293,396</u>
Operating Income (Loss)	<u>1,210,634</u>	<u>2,261</u>	<u>132,589</u>	<u>106,070</u>	<u>27,271</u>	<u>1,478,825</u>
Non-Operating Revenues (Expenses):						
Interest Income	2,364	10	2,926	712	124	6,136
Bank Charges	(2,507)	(9)	(2,587)	(632)	(108)	(5,843)
Capital Assets Removed/Retired	(72,533)	0	(58,781)	(7,609)	0	(138,923)
Capital Returned to City, County and Other Governmental Agencies	<u>(1,362,406)</u>	<u>(2,262)</u>	<u>(259,572)</u>	<u>(107,099)</u>	<u>(27,287)</u>	<u>(1,758,626)</u>
Total Non-Operating Revenues (Expenses) - Net	<u>(1,435,082)</u>	<u>(2,261)</u>	<u>(318,014)</u>	<u>(114,628)</u>	<u>(27,271)</u>	<u>(1,897,256)</u>
Increase (Decrease) in Net Position Before Capital Contributions	<u>(224,448)</u>	<u>0</u>	<u>(185,425)</u>	<u>(8,558)</u>	<u>0</u>	<u>(418,431)</u>
Capital Contributions						
Cash:						
Operating Reserves from City and County and Other Governmental Agencies	0	0	0	0	0	0
Capital Asset Replacement Reserves from City and County	<u>0</u>	<u>0</u>	<u>278,973</u>	<u>0</u>	<u>0</u>	<u>278,973</u>
Total Capital Contributions	<u>0</u>	<u>0</u>	<u>278,973</u>	<u>0</u>	<u>0</u>	<u>278,973</u>
Increase (Decrease) in Net Position	(224,448)	0	93,548	(8,558)	0	(139,458)
Net Position, Beginning of Year	<u>1,290,804</u>	<u>0</u>	<u>1,057,037</u>	<u>8,558</u>	<u>0</u>	<u>2,356,399</u>
Net Position, End of Year	<u>\$ 1,066,356</u>	<u>\$ 0</u>	<u>\$ 1,150,585</u>	<u>\$ (0)</u>	<u>\$ 0</u>	<u>\$ 2,216,941</u>

Property Management - County Properties

Andrew Johnson Building/ Dwight Kessel Metropolitan Parking Garage	Family Investment Center	Health Department	Juvenile Justice Center	Knox Central	Old Court House	Senior Centers	State Street Parking Lot	Total County Properties
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
172,079	132,045	269,669	551,994	188,947	509,500	85,736	0	1,909,970
0	0	0	0	0	0	0	0	0
0	0	7,313	0	0	0	0	0	7,313
<u>537,285</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>36,420</u>	<u>573,705</u>
<u>709,364</u>	<u>132,045</u>	<u>276,982</u>	<u>551,994</u>	<u>188,947</u>	<u>509,500</u>	<u>85,736</u>	<u>36,420</u>	<u>2,490,988</u>
95,465	9,254	24,724	26,547	13,025	65,302	5,654	1,630	241,601
176,517	15,536	45,913	173,305	47,216	171,845	14,950	0	645,282
375,819	81,243	166,223	262,765	126,021	227,385	54,647	5,068	1,299,171
0	0	0	0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>647,801</u>	<u>106,033</u>	<u>236,860</u>	<u>462,617</u>	<u>186,262</u>	<u>464,532</u>	<u>75,251</u>	<u>6,698</u>	<u>2,186,054</u>
21,845	4,325	9,010	17,965	6,181	15,470	2,798	213	77,807
25,068	4,984	10,347	20,619	7,118	17,759	3,208	248	89,351
10,372	2,061	4,281	8,531	2,945	7,347	1,327	103	36,967
<u>57,285</u>	<u>11,370</u>	<u>23,638</u>	<u>47,115</u>	<u>16,244</u>	<u>40,576</u>	<u>7,333</u>	<u>564</u>	<u>204,125</u>
<u>705,086</u>	<u>117,403</u>	<u>260,498</u>	<u>509,732</u>	<u>202,506</u>	<u>505,108</u>	<u>82,584</u>	<u>7,262</u>	<u>2,390,179</u>
<u>4,278</u>	<u>14,642</u>	<u>16,484</u>	<u>42,262</u>	<u>(13,559)</u>	<u>4,392</u>	<u>3,152</u>	<u>29,158</u>	<u>100,809</u>
433	97	232	435	95	442	67	86	1,887
(560)	(87)	(206)	(387)	(86)	(392)	(60)	(75)	(1,853)
(37,844)	0	(841)	(9,952)	(13,657)	(54,496)	(1,533)	0	(118,323)
<u>(41,687)</u>	<u>(14,652)</u>	<u>(16,791)</u>	<u>(35,329)</u>	<u>12,815</u>	<u>(31,253)</u>	<u>(4,176)</u>	<u>(29,169)</u>	<u>(160,242)</u>
<u>(79,658)</u>	<u>(14,642)</u>	<u>(17,606)</u>	<u>(45,233)</u>	<u>(833)</u>	<u>(85,699)</u>	<u>(5,702)</u>	<u>(29,158)</u>	<u>(278,531)</u>
<u>(75,380)</u>	<u>0</u>	<u>(1,122)</u>	<u>(2,971)</u>	<u>(14,392)</u>	<u>(81,307)</u>	<u>(2,550)</u>	<u>0</u>	<u>(177,722)</u>
0	0	0	0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(75,380)</u>	<u>0</u>	<u>(1,122)</u>	<u>(2,971)</u>	<u>(14,392)</u>	<u>(81,307)</u>	<u>(2,550)</u>	<u>0</u>	<u>(177,722)</u>
<u>344,231</u>	<u>0</u>	<u>1,122</u>	<u>21,148</u>	<u>14,392</u>	<u>367,650</u>	<u>2,550</u>	<u>0</u>	<u>751,093</u>
<u>\$ 268,851</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,177</u>	<u>\$ 0</u>	<u>\$ 286,343</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 573,371</u>

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION BY ACTIVITY
For the Year Ended June 30, 2014**

	Property Management - Other							
	City County Building	Emergency Communic. District	Fairview Technology Center	Total Property Management	Property Development	Telecom Services	Corporate	Total
Operating Revenues:								
Rental Income from City and County	\$ 4,101,739	\$ 0	\$ 0	\$ 4,101,739	\$ 0	\$ 0	\$ 0	\$ 4,101,739
Management Fees from City and County	0	0	0	5,072,301	634,286	1,064,089	0	6,770,676
Management Fees from Other								
Governmental Agencies	0	95,217	37,280	163,956	0	0	0	163,956
Rental and Event Revenues	0	0	0	225,648	0	0	0	225,648
Net Parking Revenues	52,397	0	0	2,986,198	0	0	0	2,986,198
Total Operating Revenues	4,154,136	95,217	37,280	12,549,842	634,286	1,064,089	0	14,248,217
Operating Expenses:								
Direct								
<u>Property Management</u>								
Management	726,717	5,062	6,655	1,668,649	0	0	23,132	1,691,781
Safety and Services	603,507	6,439	6,646	2,316,561	0	0	0	2,316,561
Operations and Maintenance	2,977,936	65,989	20,947	6,537,028	0	0	0	6,537,028
<u>Other Management Services</u>								
Property Development	0	0	0	0	445,182	0	0	445,182
Telecom Services	0	0	0	0	0	731,131	0	731,131
Total Direct Operating Expenses	4,308,160	77,490	34,248	10,522,238	445,182	731,131	23,132	11,721,683
Indirect								
Corporate Administration	137,191	3,142	1,244	362,844	39,114	29,712	0	431,670
Finance	157,415	3,601	1,420	417,071	45,100	34,297	0	496,468
MIS	65,130	1,490	588	172,541	18,654	14,184	0	205,379
Total Indirect Operating Expenses	359,736	8,233	3,252	952,456	102,868	78,193	0	1,133,517
Total Operating Expenses	4,667,896	85,723	37,500	11,474,694	548,050	809,324	23,132	12,855,200
Operating Income (Loss)	(513,760)	9,494	(220)	1,075,148	86,236	254,765	(23,132)	1,393,017
Non-Operating Revenues (Expenses):								
Interest Income	8,901	117	43	17,084	685	1,269	0	19,038
Bank Charges	(7,808)	(103)	(38)	(15,645)	(608)	(1,120)	0	(17,373)
Capital Assets Removed/Retired	(162,689)	(4,200)	0	(424,135)	(6,104)	(42,674)	(16,666)	(489,579)
Capital Returned to City, County and Other Governmental Agencies	0	(9,658)	0	(1,928,526)	(86,493)	(191,293)	5,000	(2,201,312)
Total Non-Operating Revenues (Expenses) - Net	(161,596)	(13,844)	5	(2,351,222)	(92,520)	(233,818)	(11,666)	(2,689,226)
Increase (Decrease) in Net Position Before Capital Contributions	(675,356)	(4,350)	(215)	(1,276,074)	(6,284)	20,947	(34,798)	(1,296,209)
Capital Contributions (Deductions)								
Cash:								
Operating Reserves from City and County and Other Governmental Agencies	19,528	0	0	19,528	0	0	0	19,528
Capital Asset Replacement Reserves from City and County	250,000	0	0	528,973	0	0	0	528,973
Total Capital Contributions	269,528	0	0	548,501	0	0	0	548,501
Increase (Decrease) in Net Position	(405,828)	(4,350)	(215)	(727,573)	(6,284)	20,947	(34,798)	(747,708)
Net Position, Beginning of Year	7,675,198	13,850	5,389	10,801,929	6,284	517,037	1,285,530	12,610,780
Net Position, End of Year	\$ 7,269,370	\$ 9,500	\$ 5,174	\$ 10,074,356	\$ 0	\$ 537,984	\$ 1,250,732	\$ 11,863,072

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY
For the Year Ended June 30, 2014**

	City Parking Facilities		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Net Parking Revenue	\$ 2,007,216	\$ 2,291,918	\$ 284,702
Tenant Rental Income	52,472	49,115	(3,357)
	<u>2,059,688</u>	<u>2,341,033</u>	<u>281,345</u>
Operating Expenses			
Direct:			
Salaries and Wages	323,136	297,547	25,589
Employee Benefits	119,560	107,619	11,941
Office Expenses	4,000	8,094	(4,094)
Education and Training	2,000	1,346	654
Operating Expenses	79,900	88,043	(8,143)
Operating Contracts	169,346	184,812	(15,466)
Utilities	154,500	172,862	(18,362)
Communications	14,967	16,278	(1,311)
Insurance	8,108	8,246	(138)
Professional Services	4,100	1,809	2,291
Maintenance Facility	8,083	7,345	738
Capital Purchases	0	56,444	(56,444)
Depreciation Expense	0	95,470	(95,470)
	<u>887,700</u>	<u>1,045,915</u>	<u>(158,215)</u>
Total Direct Operating Expenses			
Total Indirect Operating Expenses	<u>86,844</u>	<u>84,484</u>	<u>2,360</u>
Total Operating Expenses	<u>974,544</u>	<u>1,130,399</u>	<u>(155,855)</u>
Operating Income (Loss)	<u>1,085,144</u>	<u>1,210,634</u>	<u>125,490</u>
Non-Operating Revenues (Expenses)			
Interest Income	2,500	2,364	(136)
Bank Charges	(1,750)	(2,507)	(757)
Capital Asset Replacement Reserve Expenses	(246,373)	0	246,373
Capital Assets Removed/Retired	0	(72,533)	(72,533)
Transfer of Operating Reserves	(1,085,894)	(1,362,406)	(276,512)
	<u>(1,331,517)</u>	<u>(1,435,082)</u>	<u>(103,565)</u>
Net Non-Operating Revenues (Expenses)			
Increase (Decrease) in Net Position	<u>\$ (246,373)</u>	<u>(224,448)</u>	<u>\$ 21,925</u>
Net Position, Beginning of Year		<u>1,290,804</u>	
Net Position, End of Year		<u>\$ 1,066,356</u>	

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2014**

	The Knoxville Police Department		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from City	\$ 8,039	\$ 8,039	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	3,683	3,207	476
Employee Benefits	1,362	1,278	84
Office Expenses	150	3	147
Education and Training	200	0	200
Operating Expenses	1,675	476	1,199
Communications	65	38	27
Insurance	35	30	5
Professional Services	85	0	85
Maintenance Facility	67	60	7
Total Direct Operating Expenses	7,322	5,092	2,230
Total Indirect Operating Expenses	717	686	31
Total Operating Expenses	8,039	5,778	2,261
Operating Income (Loss)	0	2,261	2,261
Non-Operating Revenues (Expenses)			
Interest Income	12	10	(2)
Bank Charges	(12)	(9)	3
Transfer of Operating Reserves	0	(2,262)	(2,262)
Net Non-Operating Revenues (Expenses)	0	(2,261)	(2,261)
Increase (Decrease) in Net Position	\$ 0	0	\$ 0
Net Position, Beginning of Year		0	
Net Position, End of Year		\$ 0	

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2014**

	City Parks		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating Revenues			
Management Fees from City	\$ 2,236,972	\$ 2,236,972	\$ 0
Net Parking Revenues	58,305	68,178	9,873
Rental and Event Income	94,760	121,860	27,100
Total Operating Revenues	<u>2,390,037</u>	<u>2,427,010</u>	<u>36,973</u>
Operating Expenses			
Direct:			
Salaries and Wages	784,047	743,246	40,801
Employee Benefits	290,097	271,105	18,992
Office Expenses	18,200	13,646	4,554
Education and Training	2,000	2,147	(147)
Operating Expenses	369,800	347,917	21,883
Operating Contracts	194,028	153,921	40,107
Utilities	433,700	354,884	78,816
Communications	22,729	12,173	10,556
Insurance	27,070	27,530	(460)
Professional Services	5,000	1,327	3,673
Maintenance Facility	19,726	17,933	1,793
Capital Purchases	12,500	0	12,500
Depreciation Expense	0	143,032	(143,032)
Total Direct Operating Expenses	<u>2,178,897</u>	<u>2,088,861</u>	<u>90,036</u>
Total Indirect Operating Expenses	<u>211,940</u>	<u>205,560</u>	<u>6,380</u>
Total Operating Expenses	<u>2,390,837</u>	<u>2,294,421</u>	<u>96,416</u>
Operating Income (Loss)	<u>(800)</u>	<u>132,589</u>	<u>133,389</u>
Non-Operating Revenue (Expenses)			
Interest Income	1,699	2,926	1,227
Bank Charges	(899)	(2,587)	(1,688)
Capital Assets Removed/Retired	0	(58,781)	(58,781)
Transfer of Operating Reserves	0	(259,572)	(259,572)
Net Non-Operating Revenues (Expenses)	<u>800</u>	<u>(318,014)</u>	<u>(318,814)</u>
Increase (Decrease) in Net Position Before Capital Contributions	<u>0</u>	<u>(185,425)</u>	<u>(185,425)</u>
Capital Contributions			
Capital Asset Replacement Reserve	<u>0</u>	<u>278,973</u>	<u>278,973</u>
Increase (Decrease) in Net Position	<u>\$ 0</u>	<u>93,548</u>	<u>\$ 93,548</u>
Net Position, Beginning of Year		<u>1,057,037</u>	
Net Position, End of Year		<u>\$ 1,150,585</u>	

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2014**

	Knoxville Area Transit Facilities		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from City	\$ 884,834	\$ 884,834	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	303,690	219,804	83,886
Employee Benefits	112,365	101,967	10,398
Office Expenses	5,000	2,264	2,736
Education and Training	3,100	675	2,425
Operating Expenses	78,600	76,297	2,303
Operating Contracts	184,841	193,424	(8,583)
Utilities	93,000	89,217	3,783
Communications	12,225	5,046	7,179
Insurance	4,704	4,778	(74)
Professional Services	1,210	377	833
Maintenance Facility	7,340	6,674	666
Depreciation Expense	0	949	(949)
Total Direct Operating Expenses	806,075	701,472	104,603
Total Indirect Operating Expenses	78,859	77,292	1,567
Total Operating Expenses	884,934	778,764	106,170
Operating Income (Loss)	(100)	106,070	106,170
Non-Operating Revenues (Expenses)			
Interest Income	242	712	470
Bank Charges	(142)	(632)	(490)
Capital Assets Removed/Retired	0	(7,609)	(7,609)
Transfer of Operating Reserves	0	(107,099)	(107,099)
Net Non-Operating Revenues (Expenses)	100	(114,628)	(114,728)
Increase (Decrease) in Net Position	\$ 0	(8,558)	\$ (8,558)
Net Position, Beginning of Year		8,558	
Net Position, End of Year		\$ 0	

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2014**

	Downtown Cinema		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Rental and Event Revenues	\$ 47,360	\$ 47,360	\$ 0
Management Fees from City	32,486	32,486	0
Management Fees from Other Governmental Agencies	31,459	31,459	0
Total Operating Revenues	<u>111,305</u>	<u>111,305</u>	<u>0</u>
Operating Expenses			
Direct:			
Salaries and Wages	15,257	14,810	447
Employee Benefits	5,645	5,227	418
Office Expenses	50	65	(15)
Operating Expenses	27,500	11,622	15,878
Operating Contracts	38,096	33,045	5,051
Utilities	5,300	1,749	3,551
Communications	800	486	314
Insurance	847	859	(12)
Professional Services	2,660	70	2,590
Maintenance Facility	757	688	69
Capital Purchases	5,000	6,325	(1,325)
Total Direct Operating Expenses	<u>101,912</u>	<u>74,946</u>	<u>26,966</u>
Total Indirect Operating Expenses	<u>9,493</u>	<u>9,088</u>	<u>405</u>
Total Operating Expenses	<u>111,405</u>	<u>84,034</u>	<u>27,371</u>
Operating Income (Loss)	<u>(100)</u>	<u>27,271</u>	<u>27,371</u>
Non-Operating Revenues (Expenses)			
Interest Income	192	124	(68)
Bank Charges	(92)	(108)	(16)
Transfer of Operating Reserves	0	(27,287)	(27,287)
Net Non-Operating Revenues (Expenses)	<u>100</u>	<u>(27,271)</u>	<u>(27,371)</u>
Increase (Decrease) in Net Position	<u>\$ 0</u>	<u>0</u>	<u>\$ 0</u>
Net Position, Beginning of Year		<u>0</u>	
Net Position, End of Year		<u>\$ 0</u>	

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2014**

	Andrew Johnson Building/Dwight Kessel Metropolitan Parking Garage		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from County	\$ 172,079	\$ 172,079	\$ 0
Net Parking Revenues	504,433	537,285	32,852
Total Operating Revenues	676,512	709,364	32,852
Operating Expenses			
Direct: Andrew Johnson Building			
Salaries and Wages	178,555	196,807	(18,252)
Employee Benefits	66,065	61,260	4,805
Office Expenses	5,400	2,529	2,871
Education and Training	1,000	90	910
Operating Expenses	55,600	63,027	(7,427)
Operating Contracts	157,710	160,070	(2,360)
Communications	7,850	2,439	5,411
Insurance	4,684	4,768	(84)
Professional Services	2,140	97	2,043
Maintenance Facility	8,996	8,179	817
Capital Purchases	6,000	0	6,000
Depreciation Expense	0	37,536	(37,536)
Total Direct Operating Expenses - Andrew Johnson Building	494,000	536,802	(42,802)
Direct: Dwight Kessel Metropolitan Parking Garage			
Salaries and Wages	65,869	49,246	16,623
Employee Benefits	24,372	21,719	2,653
Office Expenses	1,700	1,148	552
Education and Training	600	221	379
Operating Expenses	9,600	11,696	(2,096)
Operating Contracts	14,374	22,757	(8,383)
Communications	1,635	419	1,216
Insurance	880	900	(20)
Professional Services	2,150	820	1,330
Maintenance Facility	2,276	2,073	203
Total Direct Operating Expenses - DKMPG	123,456	110,999	12,457
Total Indirect Operating Expenses	59,256	57,285	1,971
Total Operating Expenses	676,712	705,086	(28,374)
Operating Income (Loss)	(200)	4,278	4,478
Non-Operating Revenues (Expenses)			
Interest Income	540	433	(107)
Bank Charges	(340)	(560)	(220)
Capital Assets Removed/Retired	0	(37,844)	(37,844)
Transfer of Operating Reserves	0	(41,687)	(41,687)
Net Non-Operating Revenues (Expenses)	200	(79,658)	(79,858)
Increase (Decrease) in Net Position	\$ 0	(75,380)	\$ (75,380)
Net Position, Beginning of Year		344,231	
Net Position, End of Year		\$ 268,851	

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2014**

	Family Investment Center		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from County	\$ 132,045	\$ 132,045	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	36,127	30,787	5,340
Employee Benefits	13,368	12,614	754
Office Expenses	500	167	333
Education and Training	200	0	200
Operating Expenses	19,500	13,287	6,213
Operating Contracts	45,380	44,433	947
Communications	1,965	1,943	22
Insurance	735	753	(18)
Professional Services	500	28	472
Maintenance Facility	2,221	2,021	200
Total Direct Operating Expenses	120,496	106,033	14,463
Total Indirect Operating Expenses	11,677	11,370	307
Total Operating Expenses	132,173	117,403	14,770
Operating Income (Loss)	(128)	14,642	14,770
Non-Operating Revenues (Expenses)			
Interest Income	136	97	(39)
Bank Charges	(8)	(87)	(79)
Transfer of Operating Reserves	0	(14,652)	(14,652)
Net Non-Operating Revenues (Expenses)	128	(14,642)	(14,770)
Increase (Decrease) in Net Position	\$ 0	0	\$ 0
Net Position, Beginning of Year		0	
Net Position, End of Year		\$ 0	

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2014**

	Health Department		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Rental Income	\$ 7,313	\$ 7,313	\$ 0
Management Fees from the County	269,669	269,669	0
Total Operating Revenues	<u>276,982</u>	<u>276,982</u>	<u>0</u>
Operating Expenses			
Direct:			
Salaries and Wages	112,233	105,577	6,656
Employee Benefits	41,526	38,519	3,007
Office Expenses	4,200	981	3,219
Education and Training	1,900	0	1,900
Operating Expenses	55,500	55,150	350
Operating Contracts	26,881	26,460	421
Communications	3,070	3,431	(361)
Insurance	2,082	2,123	(41)
Professional Services	500	106	394
Maintenance Facility	4,656	4,232	424
Depreciation Expense	0	281	(281)
Total Direct Operating Expenses	<u>252,548</u>	<u>236,860</u>	<u>15,688</u>
Total Indirect Operating Expenses	<u>24,474</u>	<u>23,638</u>	<u>836</u>
Total Operating Expenses	<u>277,022</u>	<u>260,498</u>	<u>16,524</u>
Operating Income (Loss)	<u>(40)</u>	<u>16,484</u>	<u>16,524</u>
Non-Operating Revenues (Expenses)			
Interest Income	141	232	91
Bank Charges	(101)	(206)	(105)
Capital Assets Removed/Retired	0	(841)	(841)
Transfer of Operating Reserves	0	(16,791)	(16,791)
Net Non-Operating Revenues (Expenses)	<u>40</u>	<u>(17,606)</u>	<u>(17,646)</u>
Increase (Decrease) in Net Position	<u>\$ 0</u>	<u>\$ (1,122)</u>	<u>\$ (1,122)</u>
Net Position, Beginning of Year		<u>1,122</u>	
Net Position, End of Year		<u>\$ 0</u>	

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY(Continued)
For the Year Ended June 30, 2014**

	Juvenile Justice Center		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from County	\$ 551,994	\$ 551,994	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	198,605	177,509	21,096
Employee Benefits	73,484	67,918	5,566
Office Expenses	2,000	1,818	182
Education and Training	500	670	(170)
Operating Expenses	69,700	59,044	10,656
Operating Contracts	138,203	135,433	2,770
Communications	7,310	3,658	3,652
Insurance	3,737	3,797	(60)
Professional Services	500	114	386
Maintenance Facility	9,278	8,437	841
Depreciation Expense	0	4,219	(4,219)
	503,317	462,617	40,700
Total Direct Operating Expenses			
Total Indirect Operating Expenses	48,777	47,115	1,662
	552,094	509,732	42,362
Total Operating Expenses			
Operating Income (Loss)	(100)	42,262	42,362
Non-Operating Revenues (Expenses)			
Interest Income	312	435	123
Bank Charges	(212)	(387)	(175)
Capital Assets Removed/Retired	0	(9,952)	(9,952)
Transfer of Operating Reserves	0	(35,329)	(35,329)
	100	(45,233)	(45,333)
Net Non-Operating Revenues (Expenses)			
Increase (Decrease) in Net Position	\$ 0	(2,971)	\$ (2,971)
Net Position, Beginning of Year		21,148	
Net Position, End of Year		\$ 18,177	

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2014**

	Knox Central		Variance
	Budget	Actual	Favorable (Unfavorable)
Operating Revenues			
Management Fees from the County	\$ 188,947	\$ 188,947	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	78,689	98,880	(20,191)
Employee Benefits	29,116	27,044	2,072
Office Expenses	7,060	4,982	2,078
Education and Training	700	90	610
Operating Expenses	33,650	32,890	760
Operating Contracts	13,381	13,362	19
Communications	3,905	3,969	(64)
Insurance	1,329	1,349	(20)
Professional Services	1,285	71	1,214
Maintenance Facility	3,176	2,890	286
Depreciation Expenses	0	735	(735)
Total Direct Operating Expenses	172,291	186,262	(13,971)
Total Indirect Operating Expenses	16,696	16,244	452
Total Operating Expenses	188,987	202,506	(13,519)
Operating Income (Loss)	(40)	(13,559)	(13,519)
Non-Operating Revenues (Expenses)			
Interest Income	142	95	(47)
Bank Charges	(102)	(86)	16
Capital Assets Removed/Retired	0	(13,657)	(13,657)
Transfer of Operating Reserves	0	12,815	12,815
Net Non-Operating Revenues (Expenses)	40	(833)	(873)
Increase (Decrease) in Net Position	\$ 0	(14,392)	(14,392)
Net Position, Beginning of Year		14,392	
Net Position, End of Year		\$ 0	

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2014**

	Old Court House		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from County	\$ 509,500	\$ 509,500	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	216,936	180,290	36,646
Employee Benefits	80,266	72,981	7,285
Office Expenses	4,085	2,032	2,053
Education and Training	450	0	450
Operating Expenses	48,450	60,325	(11,875)
Operating Contracts	101,036	99,315	1,721
Communications	4,250	1,705	2,545
Insurance	3,448	3,515	(67)
Professional Services	1,000	108	892
Maintenance Facility	7,974	7,250	724
Depreciation Expense	0	37,011	(37,011)
	467,895	464,532	3,363
Total Direct Operating Expenses			
Total Indirect Operating Expenses	41,921	40,576	1,345
	509,816	505,108	4,708
Total Operating Expenses			
Operating Income (Loss)	(316)	4,392	4,708
Non-Operating Revenue (Expenses)			
Interest Income	340	442	102
Bank Charges	(24)	(392)	(368)
Capital Assets Removed/Retired	0	(54,496)	(54,496)
Transfer of Operating Reserves	0	(31,253)	(31,253)
	316	(85,699)	(86,015)
Net Non-Operating Revenue (Expenses)			
Increase (Decrease) in Net Position	\$ 0	(81,307)	\$ (81,307)
Net Position, Beginning of Year		367,650	
Net Position, End of Year		\$ 286,343	

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2014**

	Senior Centers		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from County	\$ 85,736	\$ 85,736	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	39,257	32,040	7,217
Employee Benefits	14,524	13,361	1,163
Office Expenses	450	42	408
Education and Training	550	0	550
Operating Expenses	15,000	22,357	(7,357)
Operating Contracts	5,576	3,989	1,587
Communications	710	405	305
Insurance	682	689	(7)
Professional Services	75	35	40
Maintenance Facility	1,443	1,316	127
Depreciation Expense	0	1,017	(1,017)
Total Direct Operating Expenses	78,267	75,251	3,016
Total Indirect Operating Expenses	7,585	7,333	252
Total Operating Expenses	85,852	82,584	3,268
Operating Income (Loss)	(116)	3,152	3,268
Non-Operating Revenues (Expenses)			
Interest Income	124	67	(57)
Bank Charges	(8)	(60)	(52)
Capital Assets Removed/Retired	0	(1,533)	(1,533)
Transfer of Operating Reserves	0	(4,176)	(4,176)
Net Non-Operating Revenues (Expenses)	116	(5,702)	(5,818)
Increase (Decrease) in Net Position	\$ 0	(2,550)	\$ (2,550)
Net Position, Beginning of Year		2,550	
Net Position, End of Year		\$ 0	

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2014**

	State Street Parking Lot		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Net Parking Revenues	\$ 61,282	\$ 36,420	\$ (24,862)
Operating Expenses			
Direct:			
Salaries and Wages	1,543	1,101	442
Employee Benefits	555	636	(81)
Office Expenses	50	0	50
Education and Training	100	0	100
Operating Expenses	1,650	216	1,434
Operating Contracts	1,850	4,550	(2,700)
Communications	60	14	46
Insurance	82	78	4
Maintenance Facility	111	103	8
Total Direct Operating Expenses	6,001	6,698	(697)
Total Indirect Operating Expenses	582	564	18
Total Operating Expenses	6,583	7,262	(679)
Operating Income (Loss)	54,699	29,158	(25,541)
Non-Operating Revenues (Expenses)			
Interest Income	172	86	(86)
Bank Charges	(72)	(75)	(3)
Transfer of Operating Reserves	0	(29,169)	(29,169)
Net Non-Operating Revenues (Expenses)	100	(29,158)	(29,258)
Increase (Decrease) in Net Position	\$ 54,799	0	\$ (54,799)
Net Position, Beginning of Year		0	
Net Position, End of Year		\$ 0	

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)**

For the Year Ended June 30, 2014

	City County Building		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Rental Income from City and County	\$ 4,101,739	\$ 4,101,739	\$ 0
Net Parking Revenues	56,984	52,397	(4,587)
Total Operating Revenues	<u>4,158,723</u>	<u>4,154,136</u>	<u>(4,587)</u>
Operating Expenses			
Direct:			
Salaries and Wages	875,255	915,115	(39,860)
Employee Benefits	323,844	300,922	22,922
Office Expenses	21,800	18,712	3,088
Education and Training	15,000	4,444	10,556
Operating Expenses	312,000	274,300	37,700
Operating Contracts	538,967	506,805	32,162
Utilities	1,488,413	1,481,656	6,757
Communications	23,300	16,228	7,072
Insurance	169,433	172,370	(2,937)
Professional Services	5,000	3,044	1,956
Maintenance Facility	17,931	16,290	1,641
Capital Purchases	0	181,493	(181,493)
Depreciation Expense	0	416,781	(416,781)
Total Direct Operating Expenses	<u>3,790,943</u>	<u>4,308,160</u>	<u>(517,217)</u>
Total Indirect Operating Expenses	<u>372,508</u>	<u>359,736</u>	<u>12,772</u>
Total Operating Expenses	<u>4,163,451</u>	<u>4,667,896</u>	<u>(504,445)</u>
Operating Income (Loss)	<u>(4,728)</u>	<u>(513,760)</u>	<u>(509,032)</u>
Non-Operating Revenues (Expenses)			
Interest Income	6,524	8,901	2,377
Bank Charges	(1,796)	(7,808)	(6,012)
Capital Asset Replacement Reserve Expenses	(250,000)	0	250,000
Capital Assets Removed/Retired	0	(162,689)	(162,689)
Net Non-Operating Revenues (Expenses)	<u>(245,272)</u>	<u>(161,596)</u>	<u>83,676</u>
Increase (Decrease) in Net Position Before Capital Contributions	<u>(250,000)</u>	<u>(675,356)</u>	<u>(425,356)</u>
Capital Contributions			
Capital Asset Replacement Reserve Contributions from City and County	250,000	250,000	0
Operating Reserve Contributions from City and County	19,528	19,528	0
Total Capital Contributions	<u>269,528</u>	<u>269,528</u>	<u>0</u>
Increase (Decrease) in Net Position	<u>\$ 19,528</u>	<u>(405,828)</u>	<u>\$ (425,356)</u>
Net Position, Beginning of Year		<u>7,675,198</u>	
Net Position, End of Year		<u>\$ 7,269,370</u>	

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2014**

	Emergency Communications District		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from Other Governmental Agencies	\$ 95,217	\$ 95,217	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	25,127	21,646	3,481
Employee Benefits	9,297	8,684	613
Office Expenses	300	7	293
Education and Training	150	0	150
Operating Expenses	21,000	16,821	4,179
Operating Contracts	29,180	28,761	419
Communications	450	313	137
Insurance	699	710	(11)
Professional Services	130	28	102
Maintenance Facility	410	370	40
Depreciation Expense	0	150	(150)
Total Direct Operating Expenses	86,743	77,490	9,253
Total Indirect Operating Expenses	8,524	8,233	291
Total Operating Expenses	95,267	85,723	9,544
Operating Income (Loss)	(50)	9,494	9,544
Non-Operating Revenues (Expenses)			
Interest Income	74	117	43
Bank Charges	(24)	(103)	(79)
Capital Assets Removed/Retired	0	(4,200)	(4,200)
Transfer of Operating Reserves	0	(9,658)	(9,658)
Net Non-Operating Revenues (Expenses)	50	(13,844)	(13,894)
Increase (Decrease) in Net Position	\$ 0	(4,350)	\$ (4,350)
Net Position, Beginning of Year		13,850	
Net Position, End of Year		\$ 9,500	

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2014**

	Fairview Technology Center		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from Other Governmental Agencies	\$ 37,280	\$ 37,280	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	11,979	15,728	(3,749)
Employee Benefits	4,433	4,064	369
Office Expenses	622	123	499
Education and Training	52	0	52
Operating Expenses	8,750	7,113	1,637
Operating Contracts	3,535	4,046	(511)
Communications	4,065	1,572	2,493
Insurance	316	320	(4)
Professional Services	50	11	39
Maintenance Facility	161	146	15
Depreciation Expense	0	1,125	(1,125)
	33,963	34,248	(285)
Total Direct Operating Expenses			
Total Indirect Operating Expenses	3,337	3,252	85
Total Operating Expenses	37,300	37,500	(200)
Operating Income (Loss)	(20)	(220)	(200)
Non-Operating Revenues (Expenses)			
Interest Income	48	43	(5)
Bank Charges	(28)	(38)	(10)
Transfer of Operating Reserves	0	0	0
Net Non-Operating Revenues (Expenses)	20	5	(15)
Increase (Decrease) in Net Position	\$ 0	(215)	\$ (215)
Net Position, Beginning of Year		5,389	
Net Position, End of Year		\$ 5,174	

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2014**

	Property Development		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from City and County	\$ 634,286	\$ 634,286	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	335,946	300,989	34,957
Employee Benefits	124,300	112,656	11,644
Office Expenses	25,000	22,648	2,352
Education and Training	10,000	1,875	8,125
Operating Expenses	5,000	1,197	3,803
Communications	8,000	2,911	5,089
Insurance	492	495	(3)
Professional Services	20,000	2,232	17,768
Depreciation Expense	0	179	(179)
Total Direct Operating Expenses	528,738	445,182	83,556
Total Indirect Operating Expenses	105,748	102,868	2,880
Total Operating Expenses	634,486	548,050	86,436
Operating Income (Loss)	(200)	86,236	86,436
Non-Operating Revenues (Expenses)			
Interest Income	392	685	293
Bank Charges	(192)	(608)	(416)
Capital Assets Removed/Retired		(6,104)	(6,104)
Transfer of Operating Reserves	0	(86,493)	(86,493)
Net Non-Operating Revenues (Expenses)	200	(92,520)	(92,720)
Increase (Decrease) in Net Position	\$ 0	(6,284)	\$ (6,284)
Net Position, Beginning of Year		6,284	
Net Position, End of Year		\$ 0	

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)**

For the Year Ended June 30, 2014

	Telecommunications Services		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from City and County	\$ 949,909	\$ 949,909	\$ 0
Management Fees Related to KCS	114,180	114,180	0
Total Operating Revenues	<u>1,064,089</u>	<u>1,064,089</u>	<u>0</u>
Direct Operating Expenses			
Telecom			
Salaries and Wages	289,355	258,113	31,242
Employee Benefits	106,812	105,340	1,472
Office Expenses	5,300	3,056	2,244
Education and Training	2,400	1,946	454
Operating Expenses	6,800	6,332	468
Operating Contracts	5,300	2,190	3,110
Communications	6,300	6,310	(10)
Insurance	9,026	9,178	(152)
Professional Services	4,000	858	3,142
Capital Purchases	449,522	65,465	384,057
Depreciation Expense	0	188,536	(188,536)
Telecom Operating Expenses	<u>884,815</u>	<u>647,324</u>	<u>237,491</u>
Knox County Schools			
Salaries and Wages	68,313	61,090	7,223
Employee Benefits	25,276	19,600	5,676
Office Expenses	1,200	658	542
Education and Training	600	0	600
Operating Expenses	1,200	1,265	(65)
Communications	1,400	802	598
Insurance	385	392	(7)
Professional Services	1,000	0	1,000
Schools Operating Expenses	<u>99,374</u>	<u>83,807</u>	<u>15,567</u>
Total Direct Operating Expenses	<u>984,189</u>	<u>731,131</u>	<u>253,058</u>
Total Indirect Operating Expenses	<u>80,200</u>	<u>78,193</u>	<u>2,007</u>
Total Operating Expenses	<u>1,064,389</u>	<u>809,324</u>	<u>255,065</u>
Operating Income (Loss)	<u>(300)</u>	<u>254,765</u>	<u>255,065</u>
Non-Operating Revenues (Expenses)			
Interest Income	474	1,269	795
Bank Charges	(174)	(1,120)	(946)
Capital Assets Removed/Retired	0	(42,674)	(42,674)
Transfer of Operating Reserves	0	(191,293)	(191,293)
Net Non-Operating Revenues (Expenses)	<u>300</u>	<u>(233,818)</u>	<u>(234,118)</u>
Increase (Decrease) in Net Position	<u>\$ 0</u>	<u>20,947</u>	<u>\$ 20,947</u>
Net Position, Beginning of Year		<u>517,037</u>	
Net Position, End of Year		<u>\$ 537,984</u>	

STATISTICAL SECTION

This part of PBA's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about PBA's overall financial health.

<u>Contents</u>	<u>Pages</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the PBA's financial performance and well-being have changed over time.	58-59
Revenue Capacity	
These schedules contain information to help the reader assess the PBA's operating revenues and customer statistics. As a joint venture between the City of Knoxville and Knox County, the PBA's revenues are materially earned from revenue derived from rental income, management fees, net parking revenues, and miscellaneous charges. Rental income and management fees are annually negotiated with the City and County and approved by the City Council and the County Commission.	60-64
Debt Capacity	
The PBA is a joint venture between the City of Knoxville and Knox County; the PBA has no taxing authority. Debt for capital projects managed for the City and the County are funded by debt issued by these two government entities. Information on the City's and County's debt capacity is contained in their individual CAFRs.	N/A
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which PBA's financial activities take place approved by the City Council and the County Commission.	65-66
Operating Information	
This schedule contains service data to help the reader understand how the information in the PBA's financial report relates to services provided and the activities performed.	67

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**NET POSITION BY COMPONENT
Last Ten Fiscal Years**

Fiscal Year	Investment in Capital Assets	Unrestricted	Total
2005	4,837,925	2,916,413	7,754,338
2006	4,985,744	3,040,305	8,026,049
2007	6,213,346	3,944,131	10,157,477
2008	6,126,970	4,457,421	10,584,391
2009	7,065,819	3,955,855	11,021,674
2010	7,292,398	3,390,254	10,682,652
2011	7,451,392	3,571,882	11,023,274
2012	8,160,543	3,198,172	11,358,715
2013	8,832,369	3,256,753	12,089,122
2014	9,257,296	2,605,776	11,863,072

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY OF KNOX AND
THE CITY OF KNOXVILLE, TENNESSEE**

**CHANGES IN NET POSITION
Last Ten Fiscal Years**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating Revenues										
Rental Income from City and County	\$ 4,101,739	4,013,581	\$ 3,912,814	3,999,608	\$ 3,887,410	\$ 3,623,121	\$ 3,454,701	\$ 3,382,478	\$ 3,345,387	\$ 3,186,770
Other Rental Income - Net	225,648	232,474	208,204	196,173	130,853	192,461	214,103	161,821	198,273	199,343
Management Fees from City and County	6,770,676	5,915,239	5,652,775	5,776,189	5,833,766	6,380,409	9,536,951	9,169,175	7,998,757	7,859,868
Management Fees from Other										
Governmental Agencies	163,956	189,380	161,299	153,846	179,713	191,633	176,338	172,652	153,357	158,203
Net Parking Revenues	2,986,198	2,721,805	2,848,822	2,816,686	2,832,092	2,982,014	2,836,172	2,537,780	1,984,221	1,410,632
Total Operating Revenues	14,248,217	13,072,479	12,783,914	12,942,502	12,863,834	13,369,638	16,218,265	15,423,906	13,679,995	12,814,816
Operating Expenses										
Salaries and Benefits	6,005,836	5,569,032	5,489,707	5,625,169	5,896,222	6,450,488	6,272,267	6,418,441	5,836,446	5,453,141
Office	120,030	105,534	93,329	72,415	89,703	118,120	143,731	172,569	157,085	131,971
Education and Training	17,241	8,723	6,703	10,335	6,806	12,437	11,121	34,042	17,696	28,646
Purchased Services and Supplies	1,151,072	1,157,287	1,055,814	1,049,751	988,458	978,689	1,030,931	962,469	936,841	996,551
Operating Contracts	1,675,598	1,608,672	1,586,372	1,448,345	1,382,944	1,463,449	1,895,038	1,625,987	1,470,804	1,362,369
Utilities	2,100,368	2,050,996	1,879,794	2,059,794	1,844,483	2,010,877	3,905,696	3,493,192	3,212,988	2,876,037
Communications	82,609	95,780	72,458	67,270	60,503	59,126	68,443	81,076	67,377	48,737
Insurance	298,444	269,125	236,013	228,725	224,990	229,141	235,118	189,388	273,981	337,218
Professional Fees	58,113	48,926	59,226	77,905	110,701	56,743	90,815	90,494	114,714	61,226
Depreciation	950,153	981,701	906,441	803,661	722,568	643,194	582,954	517,852	462,741	412,003
Maintenance Facility	86,008	81,728	76,560	73,593	72,643	60,301	51,173	0	0	0
Other	309,728	103,652	143,840	41,678	243,499	178,120	78,375	347,917	129,327	115,462
Total Operating Expenses	12,855,200	12,081,156	11,606,257	11,558,641	11,643,520	12,260,685	14,365,662	13,933,427	12,680,000	11,823,361
Operating Income (Loss)	1,393,017	991,323	1,177,657	1,383,861	1,220,314	1,108,953	1,852,603	1,490,479	999,995	991,455
Non-Operating Revenues (Expenses)										
Interest Income	19,038	16,271	28,448	27,264	28,997	92,272	331,019	362,831	246,342	150,119
Gain (Loss) on Disposal of Capital Assets	(489,579)	0	0	0	0	0	0	6,018	0	0
Bank Charges	(17,373)	(12,232)	(8,224)	(8,210)	(7,706)	(7,286)	(7,669)	(8,156)	(9,783)	(10,585)
Interest Expense	0	0	0	0	0	0	0	(166)	(732)	(1,282)
Capital Returned to the City and County	(2,135,304)	(1,563,423)	(1,728,491)	(1,730,881)	(1,801,089)	(2,054,297)	(2,579,761)	(586,159)	(1,217,881)	(1,980,628)
Capital Returned to Other										
Governmental Agencies	(66,008)	(34,853)	(16,414)	(42,537)	(111,666)	(19,164)	(24,832)	(29,251)	(5,335)	(25,673)
Noncash:										
Capital Asset Retirements from the City and County	0	0	0	0	0	0	0	(5,271)	(9,311)	0
Total Non-Operating Revenues (Expenses) - Net	(2,689,226)	(1,594,237)	(1,724,681)	(1,754,364)	(1,891,464)	(1,988,475)	(2,281,243)	(260,154)	(996,700)	(1,868,049)
Increase (Decrease) in Net Position Before Capital Contributions	(1,296,209)	(602,914)	(547,024)	(370,503)	(671,150)	(879,522)	(428,640)	1,230,325	3,295	(876,594)
Capital Contributions										
Capital Contributions from the City and County	548,501	815,424	882,465	711,125	332,128	1,312,158	848,128	894,500	268,416	537,848
Capital Contributions from Other										
Governmental Agencies	0	0	0	0	0	4,647	7,426	6,603	0	7,896
Noncash:										
Capital Asset Retirements from the City and County	0	0	0	0	0	0	0	0	0	0
Total Capital Contributions	548,501	815,424	882,465	711,125	332,128	1,316,805	855,554	901,103	268,416	545,744
Extraordinary Items	0	1,039,555	0	0	0	0	0	0	0	0
Increase (Decrease) in Net Position	(747,708)	1,252,065	335,441	340,622	(339,022)	437,283	426,914	2,131,428	271,711	(330,850)
Net Position, Beginning of Year	12,610,780	11,358,715	11,023,274	10,682,652	11,021,674	10,584,391	10,157,477	8,026,049	7,754,338	8,085,188
Net Position, End of Year	\$ 11,863,072	\$ 12,610,780	\$ 11,358,715	\$ 11,023,274	\$ 10,682,652	\$ 11,021,674	\$ 10,584,391	\$ 10,157,477	\$ 8,026,049	\$ 7,754,338

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**PROPERTIES MANAGED
Last Ten Fiscal Years**

Property	Space in Square Feet									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
County Owned										
Andrew Johnson Building	145,661	145,661	145,661	145,661	145,661	145,661	145,661	145,661	145,661	145,661
Beck Cultural Center	N/A	N/A	N/A	N/A	N/A	N/A	N/A	19,161	19,161	18,961
Fairview Technology Center	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000
Senior Centers (4)	33,738	33,738	33,738	33,738	33,738	33,738	27,500	27,500	27,500	7,800
Health Department (1 main facility, 3 community clinics, and air quality lab)	157,800	157,800	157,800	157,800	157,800	157,800	157,800	157,800	153,000	153,000
John Tarleton Homes	N/A	N/A	80,000	80,000	80,000	80,000	80,000	80,000	64,474	64,474
Juvenile Justice Center	104,209	104,209	104,209	104,209	104,209	104,209	104,209	104,209	104,209	104,209
Knox Central	171,000	171,000	171,000	171,000	171,000	171,000	171,000	171,000	165,000	165,000
Library System (1 main location, 1 history center, and 16 community branches)	N/A	N/A	N/A	N/A	N/A	300,201	321,537	302,376	294,549	279,371
Old Court House	64,098	64,098	64,098	64,098	64,098	64,098	64,098	64,098	64,098	64,098
County Clerk Satellite Offices (5)	11,773									
Family Investment Center	31,500	31,500	31,500	31,500	31,500	31,500	31,500	N/A	N/A	N/A
City Owned										
Volunteer Landing Park	16,331	16,331	16,331	16,331	16,331	16,331	5,170	5,170	5,170	5,170
World's Fair Park	39,600	39,600	39,600	39,600	39,600	39,600	39,600	3,600	3,600	93,521
Downtown Cinema	4,000	4,000	4,000	4,000	4,000	4,000	4,000	N/A	N/A	N/A
Knoxville Station Transit Center	103,717	103,717	103,717	103,717						
Knoxville Area Transit - Magnolia Facility	35,000	35,000	35,000							
PBA Owned										
City County Building	531,634	531,634	531,634	531,634	531,634	531,634	531,634	531,634	531,634	531,634
Owned by Other Governmental Agencies										
Emergency Communications District	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Totals	<u>1,492,061</u>	<u>1,480,288</u>	<u>1,560,288</u>	<u>1,525,288</u>	<u>1,421,571</u>	<u>1,721,772</u>	<u>1,725,709</u>	<u>1,654,209</u>	<u>1,620,056</u>	<u>1,674,899</u>

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**PROPERTIES MANAGED (Continued)
Last Ten Fiscal Years**

Location	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
NUMBER OF PARKING SPACES										
County Owned										
Dwight Kessel Metropolitan Parking Garage	964	964	964	964	964	964	964	964	964	964
State Street Parking Lot	283	283	283	283	283	283	283	283	283	283
City Owned										
Hill Avenue Parking Lot	16	16	16							
Jackson Avenue Parking Lot	190	190	190	190	190	190	190	190	190	0
Locust Street Garage	645	645	645	645	645	645	645	645	645	645
Main Avenue Garage	475	475	475	475	475	475	475	475	475	0
Market Square Garage	677	677	700	700	700	700	700	700	700	0
Promenade Garage	277	277	277	277	277	277	277	277	0	0
State Street Garage	1,082	842	842	842	842	842	842	842	842	0
World's Fair Parking Lots	698	698	698	698	698	698	698	698	698	698
Tennessee Department of Transportation (TDOT)	469	469	469	469	0	0	0	0	0	0
PBA Owned										
City County Building Garage	850	850	850	850	850	850	850	850	850	850
Totals	6,626	6,386	6,409	6,393	5,924	5,924	5,924	5,924	5,647	3,440
PARKS										
City Owned										
World's Fair Park: Number of Acres	18	18	18	18	18	18	18	18	18	18
Volunteer Landing Park: Number of Acres	5	5	5	5	5	5	5	5	5	5
Second Creek Greenway: Number of Acres	9	9	9	9	9	9	0	0	0	0
Estimated Park Visitors Annually	671,988	678,733	689,518	648,530	610,955	446,885	200,000	200,000	150,000	110,000

Note: FY 2006 is the first year PBA started to manage several City owned parking facilities.

Source: PBA property management department.

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**CAPITAL PROJECTS COMPLETED
Last Five Fiscal Years**

Projects	Managed Budget
COUNTY PROJECTS	
Andrew Johnson Building Elevator Upgrade	\$ 275,000
Andrew Johnson Building Reroof - Phase I	400,000
Burlington Park - Phase I	50,000
Carter Senior Center Storage Building Addition	28,127
Clayton Park - Phase I	20,000
Courtroom A/V Upgrades	260,000
Dwight Kessel Parking Garage Elevator Equipment Room	16,536
Dwight Kessel Parking Garage Lighting Upgrades	45,000
Family Investment Center A/V Upgrades	7,509
Family Investment Center Elevator Upgrades	42,475
Family Investment Center Renovations	613,500
Health Department - Access Control Addition	16,990
Health Department - Cooling Tower	59,900
Health Department - Piping/Capped Flange	20,000
Health Department - Pump Replacement	18,000
Health Department - Sputum Room	40,550
Juvenile Court Building Expansion	3,958,298
Knox Central Generator	250,000
Knox Central Parking Lot	110,550
Knox Central Switchgear	400,000
KUB Park - Phase I	25,000
Old Courthouse HVAC Consoles	22,000
Old Courthouse Windows	1,366,474
Public Defender Exterior Repairs	25,200
 ADA Projects:	
South Doyle High School	375,000
South Doyle High School	350,000
 County Subtotal	\$ 8,796,109

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**CAPITAL PROJECTS COMPLETED (Continued)
Last Five Fiscal Years**

Projects	Managed Budget
CITY PROJECTS	
Adaptive Center	\$ 159,000
Alice Bell Ballfield Re-roof	16,300
Badgett Field Concession Bldg Reroof	50,000
Beardsley Farm Shed Reroof	6,000
Central Station Transit Center	26,610,000
Central Station Transit Center (ARRA)	3,000,000
Cinema Retail Tenant Build Out	150,000
Convention Center Warranty Repairs	711,000
Downtown Dog Park	162,000
Duff Field Reroof	6,100
Elm Street Signal Shop	5,000
Elm Street Storage Facility	121,400
Fire Station #20 - Re Roof	16,229
Fire Station #20 - Remodel	75,000
Fire Station #4 - Re Roof	14,998
Fire Station #5 - Soffit and Fascia Repairs	55,000
Fire Station #12 Structural Investigation	4,750
Fleet Services Storage Building Reroof	11,300
HUD House Demolition - 309 & 311 N. Chestnut St.	23,987
HUD House Demolition - 3210 MLK Jr. Blvd.	11,964
Ijams Skylights	6,000
KAT Renovation - Magnolia (ARRA)	2,300,000
Larry Cox Senior Center Remodel	350,000
Lorraine Street Medical Center	67,770
Lorraine Street Salt Shed Reroof	60,000
LT Ross Skylights	280,000
Mary Vestal Park Reroof	7,700
Oakland Recreation Center Reroof	33,700
Richard Leake HVAC Replacement	30,000
State Street Garage Addition	7,100,000
State Street Garage Dumpster Pad	43,500
Tyson Park Tennis Clubhouse Re-Roof	5,000
Walter Hardy Park	6,200
West Haven Recreation Center Re-Roof	19,232
West View Park Shelters Re-roof	105,250
World's Fair Park Playground	150,000
City Projects Subtotal	41,774,380
OTHER PROJECTS	
Jefferson County Facilities Assessment	67,000
Other Project Subtotal	67,000
Total All Projects	\$ 50,637,489

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**TELECOMMUNICATION SERVICES
Last Ten Fiscal Years**

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
CITY AND COUNTY										
Total Extensions	8,243	8,280	8,280	8,367	8,156	8,544	7,790	7,790	7,753	7,759
Telephone Lines	804	360	360	360	360	489	489	489	489	443
Cellular Telephones	144	127	131	96	145	218	823	795	708	591
Pagers	33	34	50	72	106	160	312	348	443	504
Repair Work Orders	823	716	807	905	829	858	1,177	973	927	767
SCHOOLS										
Total Extensions	852	852	929	817	785	631	661	634	628	500
Telephone Lines	2,338	2,329	2,285	2,430	2,391	2,430	2,386	2,340	2,341	2,492
Repair Work Orders	627	562	644	594	728	578	575	696	671	511

Note: FY 2004 was the first full year of PBA providing telecommunication services for the City and the County and FY 2005 for the Schools.

Source: PBA Telecommunications Services Department.

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years**

Calendar Year	Population	Personal Income (Thousands of Dollars)	Per Capita Personal Income	Unemployment Rate	
				County	State
2004	400,340	12,826,956	32,040	4.1	5.4
2005	404,972	13,301,853	32,815	4.4	5.1
2006	411,967	14,140,692	33,963	4.5	4.5
2007	416,352	15,201,428	34,180	3.4	4.7
2008	430,019	15,666,206	36,431	4.8	6.4
2009	435,725	15,371,687	35,278	8.0	10.5
2010	432,226	15,222,567	35,219	7.0	9.5
2011	436,104	16,961,829	38,894	6.9	9.2
2012	440,725	18,149,825	41,127	7.7	9.6
2013	444,622	N/A	N/A	6.6	8.2

- Notes:
- (a) N/A = Data not available.
 - (b) Only Knox County is presented.
 - (c) Population – U.S. Bureau of the Census.
 - (d) Income - Bureau of Economic Analysis, U.S. Department of Commerce.
 - (e) Unemployment Rates - Tennessee Department of Labor and Workforce Development.

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**PRINCIPAL EMPLOYERS
Current Calendar Year and Nine Years Ago**

Employer (a)	Industry	2013		2004	
		Number of Employees	% of Total Knox County Workforce	Number of Employees	% of Total Knox County Workforce
Covenant Health	Health Care	9,122	4.00 %	8,000	3.76 %
The University of Tennessee	Government	6,550	2.87	7,934	3.72
Knox County Schools	Education	7,066	3.10	7,848	3.68
Wal-Mart Stores, Inc.	Retail	5,776	2.53	4,600	2.16
University Health Systems	Health Care	4,061	1.78	n/a	n/a
K-VA-T Food Stores	Retail Grocery	3,857	1.69	n/a	n/a
Tennova Healthcare	Health Care	3,124	1.37	3,461	1.62
Baptist Health	Health Care	n/a	n/a	3,000	1.41
City of Knoxville	Government	n/a	n/a	2,858	1.34
University of Tennessee Medical Center	Health Care	n/a	n/a	2,764	1.30
Knox County	Government	2,991	1.31	2,500	1.17
State of Tennessee	Government	2,808	1.23	2,470	1.16
Kroger Co.	Retail Grocery	2,555	1.12	n/a	n/a
Total		<u>47,910</u>	<u>21.01 %</u>	<u>45,435</u>	<u>21.33 %</u>

Notes: (a) Only Knox County is presented.

Source: Greater Knoxville Chamber Partnership

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**NUMBER OF EMPLOYEES BY ACTIVITY
Last Ten Fiscal Years**

Department	Fiscal Year										
	2014	2013	2013	2012	2011	2010	2009	2008	2007	2006	2005
Facilities Management	41	41	41	40	38	38	47	40	56	48	50
Safety and Security	51	41	41	40	42	37	44	48	42	42	37
Property Development	6	4	4	4	4	5	5	8	7	7	7
Telecommunications/MIS/PBX	11	9	9	9	9	8	9	8	9	9	8
Administrative	9	9	9	8	9	9	12	14	13	13	14
Total	<u>118</u>	<u>104</u>	<u>104</u>	<u>101</u>	<u>102</u>	<u>97</u>	<u>117</u>	<u>118</u>	<u>127</u>	<u>119</u>	<u>116</u>

Source: PBA Payroll Department.

**INTERNAL CONTROL
AND
COMPLIANCE SECTION**



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Board of Directors of
The Public Building Authority of the County
of Knox and the City of Knoxville, Tennessee
Knoxville, Tennessee**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Public Building Authority of the County of Knox and the City of Knoxville, Tennessee (the "PBA") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the PBA's basic financial statements, and have issued our report thereon dated October 26, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the PBA's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the PBA's internal control. Accordingly, we do not express an opinion on the effectiveness of the PBA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the PBA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Chattanooga, TN
October 26, 2014